Bowling Green State University
ScholarWorks@BGSU

Master of Technology Management Plan II
Graduate Projects

College of Technology, Architecture and Applied
Engineering

Spring 2012

Developing a Quality Audit Model for the ASQ Student Branch at BGSU

Christopher Stewart
Bowling Green State University - Main Campus

Follow this and additional works at: http://scholarworks.bgsu.edu/ms_tech_mngmt

Part of the Other Engineering Commons

DEVELOPING A QUALITY AUDIT MODEL FOR THE ASQ STUDENT
BRANCH AT BGSU

Chris Stewart, AS, BSBA, CQS

Submitted to the Graduate College of Bowling Green
State University in partial fulfillment
the requirements degree of

MASTERS IN TECHNOLOGY MANAGEMENT

August 2012

Committee:

Dr. John Sinn, Advisor

Dr. Charles Unsell, PE

Dr. Andreas Nicolaou, CPA

ABSTRACT

Dr. John Sinn, Advisor

This project studied the effects of implementing auditing procedures in a student organization. The research objective in this project was to test whether the quality audit model was suitable for a university student organization. To identify the need for an audit model for the student organization, this project used the ISO 9001, QMS, DID, and DOD models on the accounts from the ASQ Student Branch at BGSU to identify the risk on the business and the cost benefit from the assurance that was offered by the Quality Audit Model. The findings have implications for both future internal auditing and control for the ASQ Student Branch at BGSU and other student organizations who wish to develop advance business assurance services.

DEDICATION

This study was dedicated to those who seek further development in their student organization and their advance in education. I would also like to dedicate this study to my parents who provided me encouragement and support.

ACKNOWLEDGMENTS

I acknowledge those who had challenged and guided me throughout my advance educational career. I would like to especially thank the University of Michigan Graduate Library for their high quality resource material. I would also like to thank the AICPA for letting me join their organization for further resources. I would also like to give special thanks to my Audit Committee, Dr. John Sinn, Dr. Andreas Nicolaou, and Dr. Unsell who guided me through this challenging project.

Table of Contents

List of Tables

List of Figures

Appendix

CHAPTER I: INTRODUCTION

Overview

The purpose of this chapter is to show the need for the study of developing

and implementing an auditing model for student organizations that use a

financial-based management system. This chapter covers the following areas:

1. Background on the problem

2. The problem statement

3. Terms and abbreviations for the problem

Need for the study

Many accountants primarily focus on providing accounting and tax

services to small businesses instead of performing financial statement audits

(Arens, Elder & Beasley, 2010). To remedy this, Krishnan and Shauer (2001)

recommend that external auditors for smaller firms review the quality of work of

internal auditors according to Generally Accepted Auditing Standards (GAAS),

and this should be facilitated into the audit of financial statement assertions based

on Generally Accepted Accounting Principles (GAAP). The Academically

Affiliated section in the student organizations may also benefit from this type of

auditing process by reviewing the student organization's need for internal auditors

that review the financial and operational processes. These processes can include

budgeting data entry, cash flow, and strategic decision making. This project was a

study of training American Society for Quality Student Branch at Bowling Green

State University (ASQ Student Branch at BGSU) to implement and construct

proper auditing procedures to ensure that their organization is financially and

operationally fit. ASQ Student Branch at BGSU has experienced low membership

recruitment, low revenue, low grants, and poor moral. These detriments indicate the need for assistance in auditing for the ASQ Student Branch at BGSU.

Background on the problem

ASQ provides professional experience in quality assurance to their student members. ASQ did this through professional speakers, newsletters, and monitoring and advising by professional auditors. ASQ is a certified organization that has been with BGSU for over a decade, and has approximately 10 active students that is managed by organizational officers: president, vice-president, and treasurer. The main activities of ASQ are to recruit students and prepare these students for the Executive and Master Black Belt certificates in Six Sigma (ASQ, 2011).

The ASQ student branch at BGSU had been attempting to increase their revenues, reduce expenditures, and increase student membership duties, but failed because of not obtaining sufficient revenue for their chapter from the last two semesters. R.R. Sanders, who is the current president of ASQ Student Branch at BGSU, stated that a concentration on managerial performance seemed necessary because the chapter members did not understand effective management (Personal communication, April, 12 2011). The amount that was granted by the Student Budget Committee (SBC) in the SBC Funds to the ASQ Student Branch at BGSU was significantly less than what the student organization had requested from the SBC. The ASQ Student Branch at BGSU needed an internal auditor who would review the data from the Office of Campus Activities and reasonably assure that each investment was properly managed. The internal auditor needed to inform the

chapter's president of any unusual activities and identify ways to prevent these unusual activities from reoccurring.

One of the goals in this project is to improve the ASQ Student Branch at BGSU accounts through conducting an auditing process that teach officers in that branch about the importance of auditing. This would improve the controls of the ASQ student branch at BGSU's accounts and enable the organization to perform more productively. This project helped identify and control the risks that the ASQ Student Branch at BGSU could experience and showed how the student organization could increase their revenue through the auditing process from the Continuous Application Models (CA) and auditing forms.

Problem Statement

The problem for this study is to develop an auditing model and a related financial-based management system for the ASQ Student Branch at BGSU that can apply to other student organizations with similar characteristics.

Significance of the Study

Lord (2010) identified numerous news articles in newspapers and magazines that reported fraud in business organizations and that the risk of fraud (p. 5) is caused through three different factors:

1. The accused must have purposefully made the statements or performed the actions in order to deceive one or more other people.

2. It must be proven that the victim relied upon the purposefully false statements of the perpetrator.

3. The victim must have incurred damages as a result of the false statements or actions from the perpetrator.

Arens (2010) concluded that the risk of fraud arose from an extreme or unusual negligence, poor investigation reports, and the business staff hiding from investigators their knowledge of misstatements on the report on the investigation. Although the inadequacy of accounting systems is usually not a factor that contributes to fraud, overlooking the statements and disregarding their errors over time could lead to the risk of fraud as Lord (2010) discussed.

To fix these problems, McCrackan (2005) suggested an implementation continuity assurance to improve the management in these organizations. Schweser (2011) applied the continuity assurance to proper methods of internal auditing control. In addition, numerous authors recommended using the ISO 9001 in order to track the unusual statements and identify misstatements in order to improve the quality of the business (Sinn, 2006; Eagle Registrations, 2010; Burr, 1997; Phillips, 2009). This project attempted to improve ASQ Student branch at BGSU, and the long-term relationship for other student organizations from the financial reports, which the Office of Campus Activities provides at BGSU with the ISO 9001.

Objectives

1. To gain an understanding of the information systems used for the accounting of the ASQ Student Branch at BGSU as a representative sample of all student organizations at BGSU.

2. To determine and recommend best practices for the financial reporting by student organizations (such as the ASQ branch at BGSU).

3. To assess the performance of the ASQ Student Organization at BGSU, given the performance objectives specified in Objective #2 above and identify and test a model system at BGSU.

4. Based on the finalized model, train a small group of leaders at BGSU, including ASQ officers, and observe their acceptance or rejection of the proposed model systems.

Definitions

Audit—The term ''audit'' refers to an examination of the financial statements of any issuer by an independent public accounting firm in accordance with the rules of the Board or the Commission for the purpose of expressing an opinion on such statements. (Prentice, 2005; Sarbanes Oxley Act, 2002)

Reasonable Assurance—Transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; (Prentice, 2005; Sarbanes Oxley Act, 2002)

Abbreviations

ASQ Student Branch at BGSU is the abbreviation used for the American Society for Quality at the Bowling Green State University.

CPA is the abbreviation used for the Certified Public Accountants.

DID is the abbreviation used for the Data Item Description.

DOD is the abbreviation used for the Department of Defense.

ISO is the abbreviation used for the International Organization for

Standardization,

SOX is the abbreviation used for the Sarbanes Oxley Act.

Summary

Chapter 1 explains the proposed project of developing a model on auditing

a financial-based management system, the background of the problem, and terms

and abbreviations that are used in the project.

CHAPTER II. REVIEW OF LITERATURE

Overview

The purpose of this case study was to determine an audit and financial

systems model system application. For a successful auditing and financial systems

model, estimated and actual outcomes were reviewed in order to conduct

reasonable assurance for this project.

The Review of Literature (ROL) was conducted to explore and explain

topics, including historical perspective, contributions from the theoretical topics,

and current technology derived from the industries and enforced by the

government for this chapter. The topics in the ROL from Chapter 2 covered the

following:

1. Auditing Tools

2. Comparative Advantages from Quality Assurance

3. ISO 9001 Assurance

4. Attestation Methodology

5. Controllership

6. Accounting and Business Data Communications

7. Organizational Development Methodologies

Introduction to the Review of Literature

Conducting routine audits in organizations are necessary to identify and

correct numerous errors leading to many unpaid accounts. A successful audit

depends on both cooperation and accurate reporting from the organization that

was audited. Jacobsons and Wolfe (1990) suggest a microcomputer based audit

software to be used because it is an inexpensive and fast auditing tool that

reviewed data without the need for outside help (p.71). It is also essential that the program for this project was readily accepted to use while complying with the auditing process. Arens et al., (2010) explained how the formal process of conducting an audit for businesses should be processed (p. i) as follows:

1. Plan and design an audit approach

2. Perform tests of controls and substantive tests of transactions

3. Perform analytical procedures and test of details of balances

4. Complete the audit and issue an audit report

The auditing process was developed to assure businesses that the technology managers and other auditors were able to reasonably assure that their businesses accounts were updated and ready to distribute their information to governmental sectors. Developing similar programs would reduce the risk on managing the businesses expenses and increase opportunities of getting more money for struggling business through this cost benefit analysis.

Historical Perspective

Auditing Tools

In auditing, many tools are used to ensure that accounts were being properly managed, money was not being stolen, and that taxes and other expenses are being paid properly. (Arens et al., 2010) These tools increased legal protection for businesses, eliminated unnecessary costs, and increase higher quality performance; but, because of high auditor's expenses, smaller businesses did not view this type of service as a requirement. Thus, the businesses risked numerous mistaken accounts because of disregarding the auditor. However,

technicians and engineers had merged to develop and distribute reasonably priced auditing programs to these types of organizations.

There were two areas that need to be monitored while gathering the data in auditing (Arens et al., 2010). The first type is audit evidence that is obtained during the investigation of the organization's accounts and the second is audit procedures, which describes how the evidence from the organization's accounts is reviewed.

Theoretical Topics

The field of auditing companies has attracted specialized professional accountants, lawyers, and technology programmers. Overall, technology programmers are more effective in performing audits, because they can identify what the problem is and eliminate it before accounting errors occur, costing companies' less than professional accountants and lawyers. Also major litigation and tax liabilities can be avoided. These types of cost detriments seems to result in the demand for the development of audit programs by technology programmers is increasing.

Studies show that the development of auditing programming is growing rapidly and is developing new ways to adjust to the user's demands. (Horowitz , 1986; Sinn, 2006; Eagle Registrations, 2010; Burr, 1997; Phillips, 2009) While computing the data received from ASQ Student Branch at BGSU, Jacobsons and Wolfe (1990) found that there are four issues related to using computers in an auditing project (p.72).

1. The sheer volume of data requires computer processing both to ensure transactions are properly recorded and to aid in data analysis.

2. Auditing on a microcomputer requires taking data from a client's computer and converting it to a format the microcomputer can read.

3. Generalized audit software for microcomputers consists of related and integrated applications melded into one program designed to be useful in any audit setting.

4. The microcomputer is used to select and print confirmations to test for existence, producing an aging of receivables to help analyze collectability, and extract a schedule for invoice testing.

Comparative Advantages from Quality Assurance

The examination of the nature of assurance services and the evaluation of the quality of information were both important parts of auditing the student organizations. Researchers recommend that the quality of information should be examined through the nature of assurance services. (Sinn, 2006; Eagle Registrations, 2010; Burr, 1997; Phillips, 2009; Arens 2010). McCrackan (2005) concluded that the continuity assurance should be carefully managed with the Iterative Process during the quality assurance process (p.33).

| External: Continuity Assurance Framework | Internal: Quality Assurance's Iterative Process |
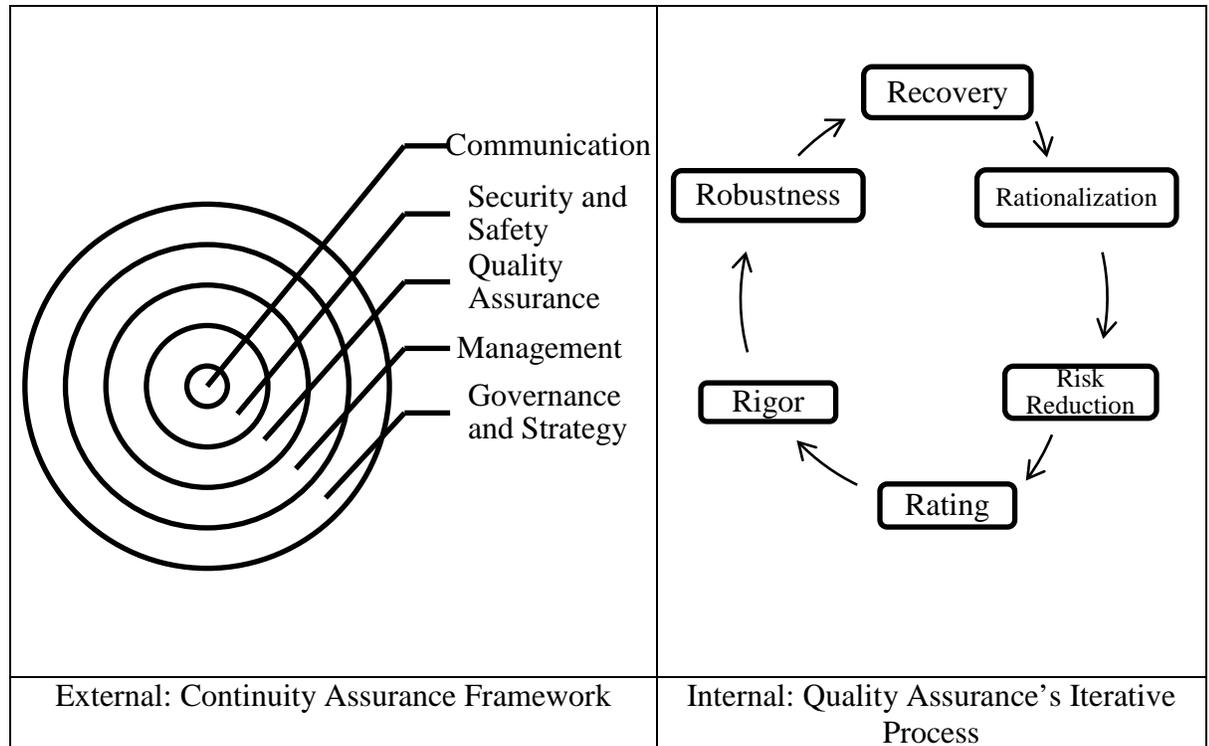
Figure 1: Continuity Assurance Framework (McCrackan, p. 33, 2005)

Another issue was the entity's control systems. This was done while

reviewing contemporary auditing techniques. By doing so the main entity was

identified and discussed with the ASQ Student Branch at BGSU from the ISO

9001.

ISO 9001 Assurance

The ASQ Student Branch at BGSU and other student organizations need a

new method for tracking their responsibilities and success to the Office of

Campus Activities. ISO 9001 is a globally-accepted set of standards, procedures,

processes, and practices that help businesses provide quality products and services

that met with their customers and regulatory requirements through effective

management (Eagle Registrations, 2010). Unlike most other assurance services,

ISO 9001 asks a set of specific questions that enables the auditor to identify any

unusual activity. In Lean Six Sigma Quality Transformation Toolkit (LSSQTT) Tools #6, Sinn (2006) explained that the ISO 9001 is formed in order to encourage external auditors to investigate the business and focus on quality system elements that explain the elements of the quality improvement (p. 3) discussed as follows:

1) Management responsibility. 2) Quality system. 3) Contract review.

4) Design control. 5) Document and data control. 6) Purchasing.

7) Control of customer supplied product. 8) Product identification and

traceability. 9) Process control. 10) Inspection and testing. 11) Control of

inspection, measuring and test equipment. 12) Inspection and test status.

13) Control of non-conforming product. 14) Corrective and preventive

action. 15) Handling, storage, packaging, delivery, preservation.

16) Control of quality records. 17) Internal quality audits. 18) Training.

19) Servicing. 20) Statistical techniques.

Burr (1997) identified two ways of auditing an organization: vertical and horizontal. Vertical relied upon the internal examination of auditing the company through forward and backward examination of the products, whereas horizontal is used for complying with regulatory checklists (like the ISO 9001), while auditing the company (p.76).

Vertical						Horizontal
	Forward			Backward		ISO 9001
Staff functions as appropriate	↓	Receiving Manufacturing Shipping	↑		Staff functions as appropriate	4.1 4.6 Etc. ———————→
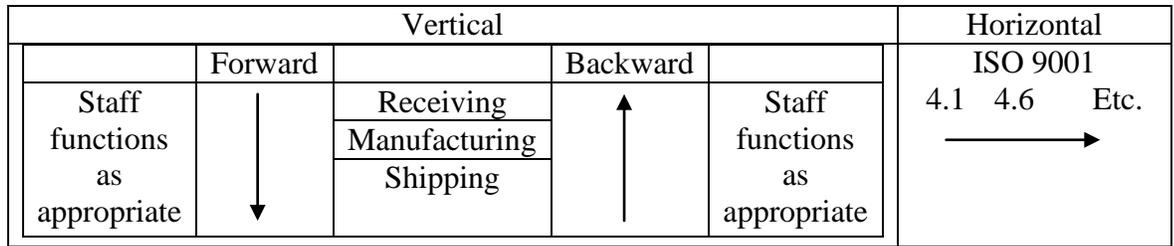
Figure 2: Types of Audit Schemes (Burr 1997)

Table 1: ISO 9001 Preliminary Findings		
Preliminary Findings	Analysis	Authority
ISO 9001 was a globally-accepted set of standard requirements, procedures, processes and practices that help any industry to provide the base of quality management system.	EAGLE Registrations Incorporated has industry-experienced auditors-that has worked on such audits like ISO 9001-that has helped their customers maximize their quality system investments through compliance analysis and constructive feedback.	Eagle Registrations (2010)
ISO 9001 was a Horizontal approach that maintains control without the need of worrying about the firm's confirmation on accessing restricted sites.	Companies with small employees only needed a day to be prepared, and sample checklists were traced through the firm's information value chain.	Burr (1997)
ISO 9001 brought in external auditors that investigate the business, while focusing on the quality improvement within the requirements of the quality system elements.	ISO 9001 was applied in order to reduce variation, and to assure management that an effective investigation was being recorded through updated transactional forms.	Sinn (2006)

Current Technology

Attestation Methodology

Schweser (2011) reported that CPAs have a list of procedures for *Auditing and Attestation*. The sections of reviewing the attestation are as follows:

1. Engagement Acceptance & Understanding the Assignment

2. Understanding the Entity & Its Environment (including Internal Control)

3. Performing Audit Procedures & Evaluating Evidence

4. Evaluating Audit Findings, Communications & Reporting

5. Accounting & Review Service Engagements

6. Professional Responsibilities (including Ethics & Independence)

The procedures above listed were performed while reviewing the controllership and the communications obtained from the accounts and business data.

Controllership

The understanding of the controller's functions on reporting from an internal auditor's perspective from the ASQ Student Branch at BGSU needed to be taught and implemented. Sinn (2006) recommended that proper technology management be exemplified through "Information Technology, Maintenance And Safety: Pivotal Manufacturing And Non-manufacturing Services" (Tool #27), which explained that the audit investigations is started through identifying current problems in Total Productive Maintenance (TPM), Waste Reduction, Troubleshooting tests, and Safety Procedure check-ups (p. 1). These functions reasonably assure that the organization's money was properly received, recorded, and reported will also inform strategic management.

The president of ASQ Student Branch at BGSU must learn how to plan, evaluate, and control the organization's account information. Lord (2010) states that during an audit, current records are hard to obtain because businesses are likely to modify their controls after the fraud occurs and as the external audit is initiated. Nicolaou (2009) concurred with Lord by stating that the sharing of

information in business alliance might was not reliable and/or had not been fully disclosed to alliance partners as the external audit was initiated (p.217). This is because internal auditors need to identify errors before external auditors identify it and report it to the appropriate entity. By doing so, organizations (such as ASQ Student Branch at BGSU) were likely to experience fewer errors than if they disregarded this problem.

Accounting and Business Data Communications

The audit program needs to communicate with the Office of Campus Activities to ensure that the accounts are being properly managed. Data telecommunications with ISO/OSI reference models and that involve other types of strategic communication management with such professionals (like accountants) must be addressed as well. To address these issues, Sinn (2006) stated that the Documentation Tools (specifically on the Communication Management Systems for Lean Six Sigma) from LSSQTT Tool #1 should be used to manage data documentation, and reduce variation.

LSSQTT Tool # 20 "Synchronous and JIT Production: Lean, Six Sigma Best Practices" includes two tools that assure the organization's transactions are managed appropriately. The first is the falsification checklist, which identifies if there are problems with conducting organizational business. Sinn (2006) states that detecting the falsification should involve the following actions:

1. Review anticipated errors, if a new process or product was being falsified, or errors which had occurred in a process or product.

2. Study work area where error or failure had occurred.

3. Is the error and error circumstance visible, or can it be made more visible?

4. Clear and uncluttered?

5. *Operator input*?

6. *Use existing resources.* Did we use existing tooling, fixtures, equipment and systems for the solution, rather than seeking to "acquire the solution"? This should be a routine rather than a "knee jerk"reaction to reach the problem. Have solutions been simple, including lighting, rearrangement, flow balancing, combining tasks, and so on?

7. Are there ways to place a physical barrier in the system to cause operators to use the system only one way?

8. *Upstream management.* Review proposed falsifying techniques to assure the approach does not create other problems downstream--a solution at one location may had been a problem elsewhere.

9. *Why, five times.*

10. *Team, trained, used.* Train all team members, and assure all use it as checkpoints in all that we do.

The Poka Yoke is reviewed, after the falsification checklist. Sinn (2006) explained that the Poka Yoke was reviewed through the following:

1. Identify the problem.

2. Set parameters.

3. Analyze the problem.

4. Preliminary ideas selection.

5. Decision identification.

6. Analyze decision.

7. Prevention.

8. Future planning.

Unlike the falsification, Poka Yoke is implemented through a thorough investigation and develops new policies in order to ensure that the situation is properly managed. Sinn (2006) explained that in Tool #20, the basic steps and procedures that are used in the auditing process, and lists them below as follows (p. 7):

1. *Initiation.* This is done through a bilateral contract with someone in the supply chain that requested an audit to have been conducted.

2. *Planning.* This is done by identifying and organizing documents and procedures, scheduling and work with the team of ASQ Student Branch at BGSU during the process.

3. *Conducting the audit.* This includes physically assembling the team at the site, which held various "kick off" meetings, performing the actual survey, conducting interviews and meetings with and among auditees and auditors, formulating a report, and conducting exit meetings. Clarification and fine tuning of the plan, review, and clarification of any ground rules and general working relationships would had been established. Most importantly, numerous documentation need to be traced back to their source to establish facts, and compared with working papers and checklists during the audit.

4. *Reporting.* This is done by the managerial auditor (in this case the researcher), involving all data and information gathered, and in conjunction with others involved in the actual on-site audit (but would be finished off site following the actual audit visit), and shared with the organization which is audited. (If there is a different group being who was being audited, and requests the information on the organization who requested the audit, the information would be distributed to them as well.)

5. *Closing.* First in the closure portion of the audit, the opportunity for the group being audited to correct any irregularities within some pre-established agreed upon time frame. After that, the follow-up actions are evaluated by the auditor, and assuming all conditions to be satisfied, the audit is finished, or closed, as it is typically stated. Depending on the manager's decision, the report would then be used as baseline for future audits and/or other evaluative functions, particularly to gage broader improvements upon.

Sinn (2006) stated that the auditor should use the TPM from Tool #21, to develop checklists that review precedent issues and report any unusual activity. LSSQTT Tool # 22, "Culture for Service and Change: Communications and Management as Disciplined Opportunities", Sinn (2006) explains that communication should focus on the following areas:

1. The service function and change

2. Defining the meeting and culture, calling, conducting good meetings

3. Communication for team meetings

4. Team synchronized cross functionally

5. Moving projects--and teams--forward

6. Forming, launching, and managing the technical team: focused project

7. Basic team skills

8. Cause and effect, brainstorming, open agenda for problem solving

9. Predictable phases of team maturation, growth

Sinn (2006) stated in "Ongoing Process Control Plan (OPCP),

Foundational Infrastructure for Quality Communication" (Tool #24) that Form 8-

D is a good form to bring the investigation for the organization. Form 8-D

requires a strong emphasis on attestation by tracking the following (p. 13):

1. Team members/function

2. Source, general description of complaint.

3. Immediate interim action, date, containment.

4. Identify problem defect, detailed description.

5. Root causes/definition/corrective action.

6. Permanent action, effective date, verification.

7. Control for prevention

8. Congratulate and reward the team.

Table 2: Attestation Preliminary Findings		
Preliminary Findings	Analysis	Authority
The auditing procedure of internal controls for the standard CPA consists of the auditing procedures and standards, standards related to attest engagements, and	The statistics indicated that there was a high demand for a higher quality education on accounting.	Schweser (2011)

critical thinking for complex cases.		
The risks of the modification of the internal controls in the business that was being audited mainly consist of the overstatement of the revenue recognition, and the understatement of Cost of Goods Sold and Liabilities.	The statistics on occupational fraud indicated that fraud costs businesses and the public a lot of money.	Lord (2010)
Integrated enterprise systems can monitor the internal and external communications throughout the business, and track any unusual transactions.	The firm's information value chain explained that the value of the technological requirements and the reports tracking those changes require a substantive amount of time.	Nicholaou (2009)
The Lean Six Sigma Quality Transformation Toolkit (LSSQTT) tools provided were organized in four separate sets, Cultural Foundations, Six Sigma tools, the Synchronous Lean Six Sigma tools, and, the Service Communication tools in order to control the data and reduce the risks of fraud.	DMAIC Excel Worksheet Applications were used to input the data from LSSQTT, process the data through excel formulas, and output the effects that identify waste material and cost benefit opportunities for the business.	Sinn (2006)

Organizational Development Methodologies

Upon identifying problems within the student organizations' audit,

organizational leadership needs to be addressed as well. This would have taught

the student organizations to improve their money management skills, experience

fewer reprimands from the Office of Campus Activities, and increase

opportunities for their organizations. Below are the four sections that will review

the understanding of the organizational development within the student

organizations:

1. Student organizations

2. Why student organizations are used in an academic setting

3. How student organizations are typically organized and run

4. Types of oversight used and implemented

Student Organizations

According to Altbech (1994), "Student groups provide socializations,

give students a sense of belonging in what is difficult and sometimes alienating

environment, and set up networks of support that often last throughout life and

provide valuable skills." (p. 5781) According to Council for the Advancement of

Standards in Higher Education, & Miller (1986) student activities are conducted

by student organizations that "Complement the academic program of studies and

to enhance the overall educational experience of students though the development

of, exposure to, and participation in social, cultural, intellectual, recreational, and

governance programs" (p.91). In general, Komives, Dugan, Owen, Slack,

Wagner, & National Clearinghouse of Leadership Programs (NCLP) &

Associates (2011) described the student organizations as follows:

> Leadership initiative can be directed toward positional leaders, students
>
> interested in running for future leadership positions, or general student
>
> organization members. Many campuses require student organizations to
>
> attend seminars or workshops in order to maintain their registered student
>
> organization status. (p. 290)

ASQ Student Branch at BGSU is more than just a student organization, it was also a professional organization that helped their members prepare for advance certificates to adapt to the competitive market in today's economy. McClellan, Stringer, Barr, & National Association of Student Personnel Administrators (U.S.) (2009) found that professional associations provided opportunities for advance development to those who were extensively engaged in the governance of the association as opposed to those who were rarely involved.

Why student organizations are used in an academic setting

One key to graduates adapting to the modern economy is the student organizations. Mueller (1961) found that student development is enhanced by activities that are successful with the following methods: complementing and enhancing academic education, socialization, managing opportunities during leisure time, and encouraging high quality values. Horowitz (1987) explained that student organizations were formed from the intense drama of the college life as follows:

All over the new nation, colleges experience a wave of collective student uprising led by the wealthier and worldlier undergraduates. College discipline conflicted with the genteel upbringing of the elite sons of Southern gentry and Northern merchants. Pleasure-seeking young men who valued style and openly pursued ambition rioted against college presidents and faculty determined to put them in their place. In every case, the outbreaks were forcibly suppressed; but the conflict went underground. Collegians withdrew from open confrontation to turn to covert form of

expression. They forged a peer consciousness sharply at odds with that of the faculty and of serious student and gave it institutional expression in the fraternity and club system (p.11).

Businesses demand high quality employees to work in the technology environment. Although there are many student organizations, there are only a few that were valued by job recruiters. Rentz, MacKinnon, & Associates (2004) state that, "Today's college students are more focused on careers and financial concerns than ever before…More students are engaged in activities which have a direct impact on their job opportunities and future careers (p.303)." Komives et al., (2011) described the academic affairs as follows:

Comprehensive leadership programs should include students from academic interest-based co-curricular programs. Whether in academic interest-based organization discipline-based organizations, living-learning programs, honor societies, or taught and mentoring roles, some students' co-curricular involvement was based in academic discipline…Many academic departments utilize undergraduate students in teaching and mentoring roles within their academic majors, such as serving as teaching assistants in classes they previously completed. Academic colleges of individuals programs may had established peer mentoring, peer tutoring, or peer advisor programs. (p. 288)

To adapt to the academic affairs, student organizations became more elite to distinguish their organizations as Academically Affiliated from those that were not. Bowling Green State University (2011), stated their definition of

Academically Affiliated is "Groups in this category are linked to an academic program or administrative office in a formal manner. They are often affiliated with a specific major, field of study, or university function" (p. 81).

How student organizations are typically organized and run

Rentz et al., (2004) stated, "The student activities must offer programs that reflect the priorities of the student affairs organization and the institution." (p. 305) Schmidt and Blaska (1977) lists six functions of student activities:

1. Academic

2. Intellectual

3. Social

4. Group

5. Full-student development

6. Campus and community

Barr, Keating, & Associates (1985) thought that effective program planners should review effective programing areas through research, assessing special populations' needs, balancing bureaucracies, managing power and influences, internal evaluation, and accountability.

Types of oversight used and implemented

Wilensky (1964) described a professional process that tracks the development of student organizations that ranged from a group of people who engage in academic preparation (or governmental management), employed full-time, and study professional development. Tracking the process of organizational development and its effects on the student organization was necessary. Guth and

Marsh (2006) described the formal process of crisis dynamics (p.397) in the

following order:

1. The Warning Stage, which is the prevention stage of the event.

2. Point of No Return, which is the unavoidable stage of the event.

3. Clean Up Stage, which is the reduction stage of the disaster.

4. Return to Normalcy, which is the educational stage of the disaster.

In this auditing procedure the cooperation among the organizations needs

to be recorded, to determine how important it is to manage the cooperation among

the team members. Rentz,, MacKinnon,. and Associates (2004) recommended that

if the program of the organization is tied to the institution's student union then a

central staffing pattern should be enforced from the student organization to fix the

problem with that organization, but if there is not a connection, then Student

Affairs should be responsible for directly fixing the student organization. To fix

this problem with these types of student organizations, Davenport (1998)

identifies which people are responsible for transmitting the data throughout

business operations. (p.124) Figure 4 shows which documents the auditors should

be looking at, and which people should be investigated in while conducting an

audit.
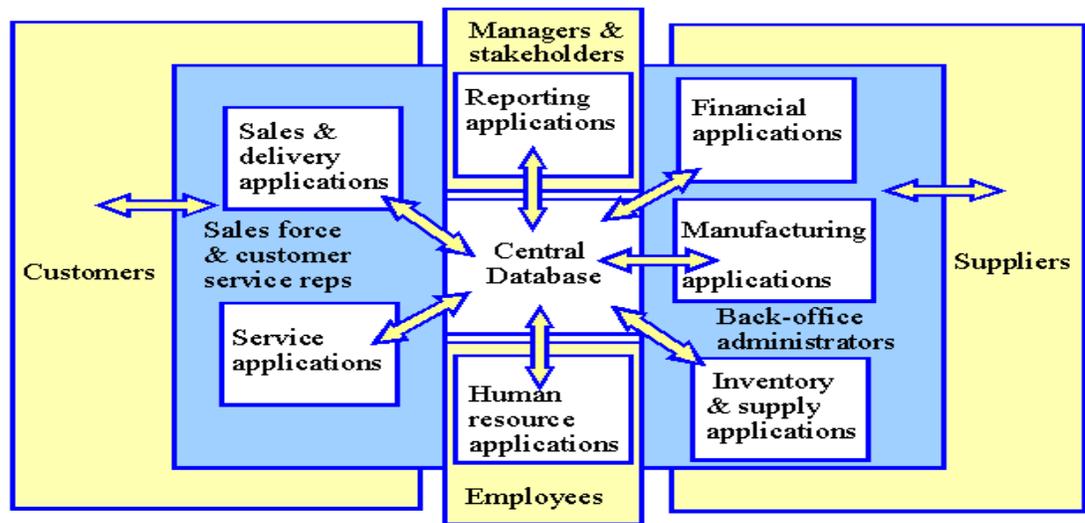
Figure 3: Anatomy of A Enterprise System (Davenport, 1998)

Carpenter, Fennema, Fretwell, & Hillison, (2004) recommended that the

CFO and the audit committee members develop the following actions (p. 59-60).

1. Recruit more independent board and audit committee members.

2. Increase scrutiny of consulting services the company's external

   auditors provide.

3. Ask more questions between audit committee meetings.

4. Ask external auditors more questions.

5. Seek immediate fixed to control weaknesses.

6. Focus on earning quality

7. Increase education for audit committee members.

8. Request special risk reviews.

Table 3: Organizational Development Preliminary Findings		
Preliminary Findings	Analysis	Authority
Student groups provide social interactions through a challenging environment.	Student groups had been secondary resource on getting an effective	Altbech (1994)

	understanding on how to achieve in a challenging environment.	
Student activities are complement to the academic program of students and enhance student development through cultural, intellectual, recreational, and governance programs.	Student groups are divided into five main areas in order to distinguish their value through advanced communication to professional education.	Council for the Advancement of Standards in Higher Education, & Miller,(1986)
Leadership is presented to positional leaders, students interested in leadership, or general student organization members.	Organizational developments in student groups are now managed through effective leadership.	Komives et al., (2011)
Registered student organizations must have a full-time faculty (or staff) with 75% of members were full-time BGSU students (with a 2.25 GPA), and had President and Treasures.	Student groups within BGSU have their leadership skills applied, and have reports that confirm their activity that were distributed within BGSU.	Bowling Green State University (2011)
Professional associations provide those who are extensively engaged to those who were on a tight schedule.	Student groups are engaged in professional associations to develop tight schedule dilemmas.	McClellan et al., (2009)
College students are involved in student organizations that had a direct impact on their future jobs.	The demand for professional organizations has rapidly increased.	Rentz et al.,(2004)
Academically Affiliated meant that groups are linked to an academic program or administrative office.	BGSU labels academically affiliated that links the regulation to the academics that BGSU offers.	Bowling Green State University (2011)
The effect of the crisis of the organization consists of the warning stage, point of no return, clean up stage, and the return to normalcy.	The crisis dynamics is discussed in order to identify the worst-case-scenario of the student organization and developing tools to fix the student organization.	Guth and Marsh (2006)
The enterprise system of an	These fields explained	Davenport (1998)

organization is likely to consist of customers, managers (and stakeholders), employees, and suppliers, in which had a direct impact on the central database.	that socialization within the organization is easier to identify the central database to the organization.	
College students may form organization in their own resentment due to the lack of education from the professor.	Not only were student organizations developed through motivation about the academic field, but as a resilient against unsatisfied education as well. Thus, discussing that the demand of the student organizations is likely to be at a high level.	Horowitz (1986)

Summary

The review of literature focused on the opportunities and threats of developing an audit model for the student organization and to determine the auditing and financial systems that reflected the modeling system for the student organization. Regulations, laws, databases, and assurance methods were reviewed to identify prototype problems. When these problems were identified, research solutions from various resources were reported in order to fix the problems when they occurred. The LSSQTT was a great assistance in this case, and suggested that the CA models were helpful in developing an audit. If decided on, the CA Models would be developed and distributed to the ASQ Student Branch at BGSU for the auditing process.

CHAPTER III. PROCEDURES
Overview

Additional work on for the Research Questions specification to ASQ

Student Branch at BGSU's accounts from Chapter I are provided in Chapter III.

The standards, procedures, and information from the research from the Review of

Literature (ROL) in Chapter II, were taken into consideration while developing

the procedures in Chapter III.

Method

Conducting an audit is a complex task, which depends on how much

information about the organization is available, what is required for the audit, and

identifying new information that was not originally reported from the

organization. This project's audit involved the recording of the cooperation of the

ASQ Student Branch at BGSU. From the LSSQTT in the ROL, the project

consisted of CA Models and audit procedures that were given to the ASQ Student

Branch at BGSU. The student's willingness to cooperate was recorded and

discussed throughout this study. An audit committee was formed, which was by

Dr. John Sinn, and assured by CPA, Dr. Andreas Nicolaou, for any concerns

about the accounting regulations.

Restatement of the Problem

The problem for this study was to develop an auditing model and a related

financial-based management system for the ASQ Student Branch at BGSU that

could also have been applied to other student organizations with similar

characteristics.

Development of Procedures

For an audit, the project needed to have reasonable assurance that these

accounts had been obtained and reported to the ASQ Student Branch at BGSU.

The ASQ Student Branch at BGSU received contracts to sign that would help this

investigation obtain more data collection. The contracts would help the student

organization identify which account was in error and the procedures to fixing it.

The development of procedures in this project identified the steps to conduct a

thorough audit.

Objective 1

The first objective was to obtain and understand the forms and systems

used from the accounts of the ASQ Student Branch at BGSU, as representative of

all university student organizations at BGSU.

1. Contact the officers of the ASQ student branch at BGSU to provide

   forms.

2. Contact the Student Services at BGSU to determine what systems and

   forms are used for all organizations at BGSU.

Objective 2

The next objective was to determine the best practices for student

organizations (like the ASQ branch) at BGSU.

1. Conduct a thorough attestation to determine best systems that are

   related to auditing and financial-based management for student

   organizations.

a. Identify and report any unusual patterns that the student

organizations have.

2. Identify what is currently being used as auditing and financial-based

management in the ASQ student branch at BGSU and in other student

organizations at BGSU, and compare them to what is in the literature

review.

Objective 3

This objective was based on the comparison performed in objective 2 and

the identified a model system to be tested at BGSU.

1. Develop the model system and validate same with a core group of

experts at BGSU, as related to student organizations and auditing

systems.

a. Distribute the ISO 9001 Model System to organization leaders.

b. Distribute the QMS Model System to organization leaders.

2. Based on the validation process in step 1, finalize the model at BGSU.

Objective 4

Based on the finalized model, train a small group of leaders at BGSU,

including ASQ officers and others, and observe their acceptance or rejection of

model systems.

1. Conduct training with student organization leaders at BGSU.

a. Conduct a 1-2 days audit, with QMS and ISO that traced

through the firm's information value chain.

b. Obtain a reasonable understanding of the organizational

development within the student organization.

2. Report the feedback on the acceptance and usefulness of the training in

methods associated with the model system from the student leaders.

Timeline

Steps	Objectives	Tasks	Date
I	To gain an understanding of the information systems used for the accounting of the ASQ Student Branch at BGSU, as a representative sample of all student organizations at BGSU, and other academic institutions.	1. Contact the officers of the ASQ student branch to provide forms 2. Contact the Student Services at BGSU to determine what systems and forms were used for all organizations at BGSU.	October 14, 2011
II	To determine and recommend best practices for the financial reporting by student organizations (such as the ASQ branch at BGSU), and for the reporting to the members and management of every student organization.	1. Conduct a thorough literature review to determine best systems that had been related to student organizations. 2. Identify what was currently being used in the ASQ student branch at BGSU and in other student organizations at BGSU, and compare them to what was in the literature review.	October 21 ,2011
III	To assess the performance of the ASQ Student Organization at BGSU, given the performance objectives specified in Objective #2 above and identify and test a model system at BGSU.	1. Develop the model system and validate same with a core group of experts at BGSU, as related to student organizations and auditing systems. 2. Based on the validation process in step 1, finalize the model at BGSU.	November 4, 2011
IV	Based on the finalized model, train a small group	1. Conduct training with student organization leaders at BGSU. 2. Report the feedback on the	November 18, 2011

of leaders at BGSU, including ASQ officers, and observe their acceptance or rejection of the proposed model systems.	acceptance and usefulness of the training in methods associated with the model system from the student leaders.	

Summary

Chapter 3 provides the details for conducting an audit. The audit consisted of the accounts received and cooperation from the ASQ Student Branch at BGSU. The procedures from Chapter 1 were applied to this chapter. A timeline was provided in order to reasonably assure that the project had been completed in a reasonable manner.

CHAPTER IV: RESULTS

Overview

The purpose of this chapter is to show the results that were obtained from the data on the study of developing and implementing the auditing model for student organizations that use a financial-based management system. This chapter reports the results from the objectives.

Findings

Development of Procedures

The ASQ Student Branch at BGSU accounts were obtained from the Office of Campus Activities and reported to the student organization for the audit. The ASQ Student Branch at BGSU, received documents to increase the progress of this study. The unusual accounts were identified and reported to the president of the ASQ Student Branch at BGSU. The development of procedures in this project outlined the steps to conduct a thorough audit for ASQ Student Branch at BGSU.

Objective 1 Results

From the first objective, the forms were obtained, but were limited by the authority that was enforced by the Office of Campus Activities. The data mining for this project was difficult because it was limited to the ability of gathering the data from the ASQ Student Branch at BGSU's accounts. The Office of Campus Activities limited the access to the forms and systems that were used from the accounts of the ASQ Student Branch at BGSU. To gain a complete background on ASQ Student Branch at BGSU from the Office of Campus Activities so that its

business could be comprehended, assessing the risk and estimating the analysis was performed through identifying and organizing documents received from the Office of Campus Activities (The SBC Budget Statement, Account Statement, and Membership Rooster). As a result the officers of the ASQ student branch at BGSU were requested to provide forms.

An audit letter (see Appendix G) was sent to the ASQ student branch at BGSU in order to schedule a meeting. In addition, an IRS audit review (see Appendix E) was given to ASQ Student Branch at BGSU in order to help them understand the proceedings of an audit. Then, the Student Services at BGSU were contacted in order to determine what type of systems and forms were used by all of the student organizations at BGSU, and distribute them to ASQ Student Branch at BGSU, and all other organizations as well. The discussion is located in Appendix I for further review.

As a result of the Office of Campus Activity not cooperating, the scope of the project was limited to the ASQ Student Branch at BGSU's accounts as a sample to provide the results of an audit model to all other student organizations. The data from the forms that were received from Dr. Sinn, the Office of Campus Activities and the President of ASQ Student Branch at BGSU, were evaluated on a *Implementation of the Relational Schema* (Gelinas, Sutton, and Fedorowicz, 2004)

STUDENT FOCUSED DINNER MEETING				
Name	Email	Date		
D,R	Y	4/21/2011		
E,A	Y	4/21/2011		
S,R	Y	4/21/2011		
S,C	Y	4/21/2011		
W,T	Y	4/21/2011		
W,J	Y	4/21/2011		

ASQ STUDENT BRANCH AT BGSU

Client No.	Name	e-mail	Phone #	
1	C,D	Y	N	
2	**D,R**	Y	N	
3	**E,A**	Y	N	
4	G,L	Y	N	
5	H,T	Y	Y	
6	J,F	Y	N	
7	P,K	Y	N	
8	S,R	Y	Y	
9	S,J	Y	N	
10	Advisor	Y	N	
11	S,B	Y	N	
12	S,C	Y	N	
13	**W,T**	Y	N	
14	**W,J**	Y	N	
15	X,H	Y	N	

WORK COMPLETED

Employee #	Date		OFFICE OF CAMPUS ACTIVITIES	
1	07/01/10		Employee #	ID
1	08/26/10		1	Advisor 2011
1	09/05/10		2	Advisor 2012
1	09/15/10		3	Supervisor
1	09/18/10			
1	10/15/10			
1	11/10/10			
1	12/15/10			
1	02/10/11			
1	03/15/11			
	04/21/11			
1	04/20/22			

TRAINING COMPLETED

Employee #	Date	Transaction
1	6/21/2010	Annual Funding
1	7/1/2010	Balance Rollover
2	6/14/2011	SBC Funding Sweep

Figure 4: Implementation of the Relational Schema (Gelina et al., 98, 2004)

The results taken from the *Implementation of the Relational Schema* were entered into the *Document Control Audit Matrix* from the *All Process Model* (Phillips, 2009) (which was located in Appendix D for further review) The *SBC Funding Budget Statement* was used based on the limited data which was retrieved from the Office of Campus Activities, but contained misstatements as determined by comparing its data to data from the *Registered Student Organization Membership Roster*.

Objective 2 Results

This objective was to determine the best practices for student organizations (like the ASQ branch) at BGSU, and for representative of all student organizations elsewhere. A thorough attestation was conducted to determine best systems that had been related to auditing and financial-based management for student organizations. The Cost Performance Report (U.S. Department of Defense, 1995) between Fall 2010 and Spring 2011 from the ASQ Student Branch at BGSU accounts identified unusual patterns within their budget. The data showed that half of the entries were not recorded properly.

Attestation
CLASSIFICATION (When Filled In)

CONTRACT PERFORMANCE REPORT FORMAT 4 - STAFFING	FORM APPROVED OMB No. 0704-0188

The public reporting burden for this collection of information is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a

1. CONTRACT Auditor	2. CONTR	3. PROGR model auditing and financial-based management system	4. REPORT PERIOD
a. NAME Chris Stewart	a. NAME ASQ Student Branch at BGSU	a. NAME Dr. Sinn	a. FROM (YYYYMMDD) 20100701
b. LOCATION (Address and ZIP Code) Bowling Green State University	b. NUMB NA	b. PHASE Attestaion	b. TO (YYYYMMDD) 20110315
	c. TYPE Financial d. SHARE RATIO	c. EVMS ACCEPTANCE NO YES (YYYYMMDD)	

5. PERFORMANCE DATA (All figures in whole numbers)

ORGANIZATIONAL CATEGORY (1)	ACTUAL CURRENT PERIOD (2)	END OF CURRENT PERIOD (3)	+1 August (4)	+2 September (5)	+3 October (6)	+4 November (7)	+5 December (8)	+6 February (9a)	+7 March (9b)	8/26/2010 (10)	9/18/2010 (11)	######## (12)	(13a)	(13b)	2/10/2011 (14a)	3/15/2011 (14b)	AT COMPLETION (15)
Kick-Off Meeting	FALL 2010	SPRING 2011	100							200							Pizza/Pop
T-Shirt Supplies	FALL 2010	SPRING 2011		200													Pizza/Pop
Supplies (cups and plates)	FALL 2010	SPRING 2011		50													Pizza/Pop
Speech from Advisor	FALL 2010	SPRING 2011		150							150						Pizza/Pop
Honorarium	FALL 2010	SPRING 2011			100							250					**Programming**
Plant Tour	FALL 2010	SPRING 2011				150								300			**Travel**
Car Rental	FALL 2010	SPRING 2011															Travel
Gas	FALL 2010	SPRING 2011															Travel
Admissions	FALL 2010	SPRING 2011															Travel
Christmas Celebration	FALL 2010	SPRING 2011					250								250		Pizza/Pop
Panel Discussion	SPRING 201	SPRING 2011						100								250	Pizza/Pop
Honorarium	SPRING 201	SPRING 2011							100							250	**Programming**
6. TOTAL DIRECT	SPRING 201	SPRING 2011	100	400	**100**	150	250	100	**100**	200	150	250	**300**	250	250	250	**500**

DD FORM 2734/4, MAR 05 — LOCAL REPRODUCTION AUTHORIZED.

Attestation
CLASSIFICATION (When Filled In)

Figure 5: Cost Performance Report (DI-MGNT-81466) OCT 1995

There was an unusual amount of money that was entered in the Student Budget which was received from the Office of Campus Activities. A figure showed that half of the accounts were not registered under Programing, Travel, or Operations. In fact, most of the unregistered accounts were labeled as events instead of items, which made it difficult to classify and report based upon the limited time which was enforced from to the Office of Campus Activities.

The Periodic figure (Grant and Leavenworth, 1980) was retrieved to show the risk to ASQ Student Branch at BGSU from the Student Budget form. This proved that the ASQ Student Branch at BGSU needed to be audited to prevent any further losses, and the possibility of losing student organization's status. Below was the Periodic Table showing the risk that the ASQ Student Branch at BGSU experienced last semester.

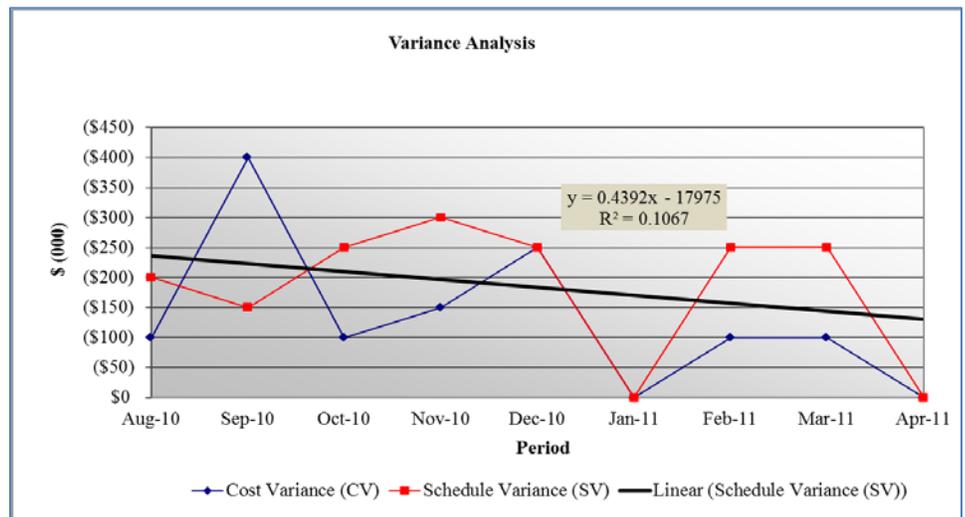**Figure 6: Periodic Table on Variance Analysis (Grant and Leavenworth, 223, 1980)**

The ASQ student branch at BGSU had never completed any type of auditing and financial-based model in the ASQ student branch at BGSU. Instead, the models relied heavily on the Office of Campus Activities. The documents were confidential and limited to those who were associated with the Office of Campus Activities staff.

Objective 3 Results

This objective was based on the comparison performed in objective 2, and identified a model system to be tested at BGSU. The model system was developed that contained the Cost Performance Report and Periodic Table on Variance Analysis in the model system. The model system validated a core group of experts at BGSU, as related to student organizations and auditing systems.

The forms for the ISO 9001 and QMS Model Systems were delivered to organization leaders of ASQ Student Branch at BGSU. A letter (Appendices A) explained the reason behind the enforcement of ISO 9001. The QMS was used in the project to observe the managerial approach during the audit. The QMS from Appendix B along with ISO 9001 form in Appendix C were distributed to the ASQ Student Branch at BGSU.

A finalization of the model was established on the Standardization Document Improvement Proposal (Form 8-D). The Standardization Document Improvement Proposal contained data from the QMS and ISO 9001 Model Systems, and reported the risks from the errors derived from the ASQ Student Branch at BGSU's accounts. In addition, an Accounting Errors Audit Report (Appendix F) was sent to the President of ASQ Student Branch at BGSU for further investigation. The risks were written and delivered to ASQ Student Branch at BGSU in order to assure the student organization of which accounts needed to had been reviewed, what the accounts needed to be, how to fix them, and when they should had been reported. Form 8-D (Appendix H) reported the

Standardization Document Improvement Proposal that contained the corrective action on the audit procedure.

Objective 4 Results

Based on the finalized model, a small group of leaders at BGSU were trained, including ASQ officers and others, and their acceptance or rejection of model systems was observed. The audit conducted to the ASQ Student Branch at BGSU traced through the firm's information value chain with ISO 9001 and QMS Models. The forms identified the risks that were within the organization's accounts. The forms were reviewed and assured by the president of ASQ Student Branch at BGSU, and distributed to the members of the ASQ Student Branch at BGSU during the first meeting of the Kick-Off meeting for the first student meeting for the of ASQ Student Branch at BGSU in the 2011-2012 Academic Year.

In order to review the accounts between the 2010-2011 Academic Year and to assure that the 2011-2012 Academic Year for the ASQ Student Branch at BGSU, the QMS and ISO 9001 were distributed. These forms provided a reasonable understanding about the organizational development within the student organization. The forms are found in Appendices B and C. These forms indicated that there was a high risk in their operations and financial databases.

The QMS was first used in order to determine the problems with ASQ Student Branch at BGSU accounts. According to the QMS from Kausek (2006), the form showed the following problems:

a. Obtain Documentation   Performance: Medium

    b.   <u>Perform Recalculation</u>   Performance: <u>High</u>

    c.   <u>ISO 9001 Analytical Procedures</u> Performance: <u>High</u>

    d.   <u>Inquiries of Client</u>   Performance: <u>Low</u>

Based on the QMS criteria the Polka-Yolk and the Falsifying from Tool #20 were the best practices to manage the organization. Falsification was discussed in the audit with ASQ Student Branch at BGSU to obtain inquiries from the members of that organization. Then the Poka-Yoke was used to investigate unusual activities within the accounts and used with the inquiries derived from the falsification and encouraged new policies to be developed in order to assure proper managed on the accounts.

The ISO 9001 was built from the data from the QMS showed numerous problems with the organization in the Planning Registration. This evaluated the Information Systems entry on the accounts that were entered and approved by ASQ Student Branch at BGSU. Listed below is the *Planning Registration* evaluation from Kausek (2006).

Review Date   **Attendance?** **Comprehensive?** **Actions?**

1. Planning Registration ☐ **Yes** ☑ **No** ☐ **Yes** ☑ **No** ☐ **Yes** ☑ **No**

  Action 1: <u>Account occurrence were recorded</u> **Completed?** ☐ **Yes** ☑ **No**

  Action 2: <u>Account forms were complete</u>   **Completed?** ☐ **Yes** ☑ **No**

  Action 3: <u>Account forms were accurate</u>   **Completed?** ☐ **Yes** ☑ **No**

  Action 4: <u>Account forms were recorded right</u> **Completed?** ☐ **Yes** ☑ **No**

  Action 5: <u>Account forms were at the right date</u> **Completed?** ☐ **Yes** ☑ **No**

Second, the ISO 9001 evaluated the Financial Assurance section of the

ASQ Student Branch at BGSU. This evaluated the Process from the data derived

from the Information Systems entry and the performance on the Office of Campus

Activities assurance from the Financial Advisor. Listed below is the *Financial*

Assurance evaluation from Kausek (2006).

Review Date	Attendance?	Comprehensive?	Actions?
2. Financial Assurance	☑ Yes ☐ No	☐ Yes ☑ No	☑ Yes ☐ No

  Action 1: <u>Existence of the balance sheet</u>   **Completed?** ☑ Yes ☐ No

  Action 2: <u>Balance sheet information was done</u> **Completed?** ☐ Yes ☑ No

  Action 3: <u>Balance sheet information was right</u> **Completed?** ☐ Yes ☑ No

  Action 4: <u>Controllership was maintained</u>   **Completed?** ☐ Yes ☑ No

Finally, the ISO 9001 evaluated the Roster Management section of the

ASQ Student Branch at BGSU. The *Rooster Management* reviewed the output

and confirmation performance from ASQ Student Branch at BGSU. The *Rooster*

Management was questioned to the Office of Campus Activities and guided by

the ASQ Student Branch at BGSU for further understanding. Listed below is the

Rooster Management evaluation from Kausek (2006).

Review Date	Attendance?	Comprehensive?	Actions?
3. Roster Management	☑ Yes ☐ No	☐ Yes ☑ No	☐ Yes ☑ No

  Action 1: <u>Disclose the entity's records</u>   **Completed?** ☐ Yes ☑ No

  Action 2: <u>Complete the disclosures</u>   **Completed?** ☐ Yes ☑ No

  Action 3: <u>All information was disclosed</u>   **Completed?** ☑ Yes ☐ No

  Action 4: <u>Information was presented clearly</u> **Completed?** ☐ Yes ☑ No

The feedback on the acceptance and usefulness of the training in methods associated with the model system from the student leaders could not had been obtained. This was because no feedback was provided by any of the ASQ Student Branch at BGSU members. The failure to obtain a sufficient financial forecast from the student organizations suggested that this project needed to have been enforced by the Office of Campus Activities to properly manage the student organizations accounts and the Office of Campus Activities cash management.

Summary

The model identified the current budget between the Fall 2010 and Spring 2011 semesters. The model showed that there was a short-fall within the budget before the end of Fall 2010. The remainder of Spring 2011 semester budget for the ASQ Student Budget at BGSU was limited to two months. Nonetheless, the SBC Funds were used to insure the organization from any risk for the remainder of that year. The ISO 9001 and QMS models showed a valid relationship between the accounts and the leadership skills during the time periods. It was impossible to retrieve the accurate accounts in order to compute the results in a timely manner, because of how the Office of Campus Activities was uncooperative in the investigation. There was a high risk that Student Services would eliminate the organization from their discretion based on the outcome from the computed data results.

CHAPTER V. DISCUSSION

Overview

The purpose of this chapter is to discuss the summary, discussion, and recommendations on the study of developing and implementing the auditing model for student organizations that use a financial-based management system.

Discussion

Objective 1

This project helped prove that the student organizations must be willing to obtain an auditor for their business to prevent their organization from going into default to the Office of Campus Activities. Obtaining forms from the student organization was an easy process, because the data showed the current budget for the ASQ student branch at BGSU, and it was easy to interpret. However, working with the Office of Campus Activities was difficult and raised the question if the Student Handbook should be amended to include an easier approach to obtaining the accounts from student organizations for further audits.

Objective 2

This objective was to determine the best practices for student organizations (like the ASQ branch) at BGSU and for representative of all student organizations elsewhere. A thorough attestation was conducted to determine best systems that had been related to auditing and financial-based management for student organizations. There were many unusual patterns that affected the student organization. Arens (2010) recommends for this discussion that there should had been a specific management assertion while fixing these accounts. (p.155)

1. Occurrence/Existence

2. Completeness

3. Accuracy and Valuation

4. Classification and Understandability

5. Cutoff

6. Rights and Obligations

The occurrence (or the existence) would have identified unrecorded accounts. According to Table 5, the identification on the accounts proved the existence of the accounts, however the accounts were only classified as events instead of goods. This made it hard to control the accounts, because the items associated with the accounts were not easily identified.

After occurrence was examined, each account should assure the management and the auditor that the accounts have been completed. On November 10, 2010 in the Office of Campus Activities' SBC Funding Budget Statement on the American Society for Quality BGSU student Section form (ASQ Student Branch at BGSU) car rental, gas, and admissions accounts were incomplete. This was because all of the funds from these accounts were put into the plant tour account.

Next in accuracy and valuation, accounts should have been validated in order to ensure the people who reviewed these accounts that they were correct so that they could be linked back properly. The first problem was the title American Society for Quality BGSU student Section (ASQ) on the Budget Statement, rather than ASQ Student Branch at BGSU (According to the ASQ Toledo Branch

section and Student Organization on BGSU's website.). Second, a misstatement
of 4/10/2022 entitled Election Meeting which costs $100 was identified, and
question to the ASQ Student Branch at BGSU.

Then, in classification and understandability, accounts should have been
explained to ensure the person who reviews these accounts could have identified
the service from the money. Most of the money was spent on food (Pizza/Pop) as
listed above according to the President of ASQ Student Branch at BGSU.
However, the Office of Campus Activity (2010) limited the student organization
from classifying their money on food to only Programming, Operations, and
Travel. Nonetheless, accounts in Activity still had been edited to identify the true
use for the money. ASQ Student Branch at BGSU has limited the products for the
accounts (Pizza/Pop) to only events for the accounts (Kick-off meeting on
08/26/10; Speech from advisor on 9/18/10; honorarium on 10/15/10, and
03/15/11; Admissions on 11/10/10; and Panel Discussion on 02/10/11).

Another perspective that should have been reviewed were the dates on the
accounting documents. The cut-off dates should have been examined in order to
ensure that accounts were on the correct dates. Dates such as Election Meeting on
04/20/22 should have been reviewed to see if the money was spent. Not
classifying dates appropriately could have led to the risk that money was missed,
and more activities would have been unable to be performed.

Finally, in rights and obligations, student organizations should review the
BGSU Student Handbook and policies on the documents from the Office of
Campus Activities. According to the Office of Campus Activities (2010) from the

Accounting Statement, "Student Organizations receiving SBC Funding were required to meet monthly with Financial Consultant." (p.1) The Budget Statement according to the SBC "Due to poor standing with the consultant allocation was reduced by 75%" (Office of Campus Activities, 2010) this made the organization from $500 requested funds to $375.

BGSU currently uses the Office of Campus Activities as an auditing and financial-based management for all of the other student organizations at BGSU. However the Office of Campus Activities lacks the student based relationships to fix the crisis dynamics. Nonetheless, the worst-case-scenario was identified and reported to the student organization to develop tools to assess the student organization (Guth and Marsh, 2006). Bowling Green State University (2011) Student Handbook limited the professional leadership skills by not enforcing the engagement to the Office of Campus Activities with the student organizations to better manage the student organization's accounts. Because of unsatisfied education management, there was a rapid increase on the demand for professional organizations. (Horowitz , 1986; Rentz et al., 2004) It is strongly recommended that the systems that had been established in the Bylaws in the BGSU Student Handbook be administered to each student organization in order to protect the University from future risks.

Objective 3

The model system was developed to trace the management of student organizations, and validated through other auditing systems. ISO 9001 and QMS Model Systems were distributed to the organization leaders, but disregarded as the

willingness to apply to their organization. This suggests that there needs to be more enforcement to the student organizations to register these accounts before additional money was lost.

Objective 4

The finalized model was impossible to enforce because of the lack of cooperation from the Office of Campus Activities. This was because of what was used as auditing and financial-based management for all student organizations at BGSU was impossible to obtain. The risk of not complying with the audit by denying access suggests that an audit needs to have been enforced by the university.

However, there was a training day given to the student organization leaders at ASQ Student Branch at BGSU, with QMS and ISO that trace through the firm's information value chain. The meeting was limited, based on the ASQ Student Branch at BGSU demands. The accounts from ASQ Student Branch at BGSU showed that in 2010 there was inappropriate spending of 77% of the funds that were awarded to the student chapter, and by 2011, there was not enough money in order to properly control the accounts for the Spring 2011 semester. To avoid these types of misstatements, it was strongly recommended that the relationship between the Office of Campus Activities and the rest of the Student Affairs had a more open discretion about student's behavior on managing these types of accounts. Disregarding this procedure might have affected BGSU through a business failure. Despite a survey being sent out to the student

organization there was no feedback on the acceptance and usefulness of the training in methods associated with the model system.

Summary

The summary of the findings showed that the ISO 9001 and QMS and the ASQ Student Branch at BGSU had a direct relationships on managerial accounting. The project showed that there is a strong need for employing an auditor with the model that would continually monitor student's accounts. It was also recommended that the entire University enforce a stricter policy on both the advising faculty and students to manage the student organization accounts. The policy should not only be aimed at student organizations but Office of Campus Activities as well. This policy would have auditors retained by student organizations to manage their accounts in order to reduce the risk on their accounts before giving their reports to the Office of Campus Activities.

REFERENCES

Altbech P.G. (1994). Student Political Activism and Student Movements. In T. Husen & T. N. Potlewaite. (Eds.) *The International Encyclopedia of Education* (2nd ed., pp. 5775-5783). Oxford, England: Pergamon.

American Society for Quality (2011). Belts, Executives and Champions – What Does It All Mean? *Learn About Quality: Six sigma.* Retrieved from American Society for Quality website: http://asq.org/learn-about-quality/six-sigma/overview/belts-executives-champions.html.

Arens, A. A., Elder, R. J. & Beasley, M. S. (2010). *Auditing and assurance services: An integrated approach.* (13th Ed.) Upper Saddle River, NJ: Prentice Hall.

Barr, M. J., Keating, L. A. & Associates (1985). *Developing effective student services programs.* In Styles, M. (1 ed., pp. 181-211) San Francisco, CA: Jossey-Bass Publishers.

Bowling Green State University, Student Handbook (2011). *Student budget committee funding and student organization policies.* Bowling Green, OH: BGSU. 70-80. Retrieved from http://www.virtualonlinepubs.com/publication/?i=78991.

Burr, J. T. (1997, April). Keys to a successful internal audit. *Quality Progress.* 75-77. Retrieved from http://asq.org/data/subscriptions/qp/1997/0497/qp0497burr.pdf.

Carpenter, T. D., Fennema, M. G., Fretwell, P. Z., & Hillison, W. (2004). A changing corporate culture. *Journal of Accountancy*, *197*(3). 57-63. Retrieved from *EBSCOhost*.

Council for the Advancement of Standards in Higher Education, & Miller, T. K. (2001). *The book of professional standards for higher education*. (p. 91.)Washington, DC: Council for the Advancement of Standards in Higher Education.

Davenport, T. (1998). Putting the enterprise into the enterprise system. *Harvard Business Review, 76*(4). 121-131. Retrieved from *EBSCOhost*.

Eagle Registrations. (2010). *ISO 9001: 2008 Quality management systems.* Dayton, OH: ANSI-ASQ National Accreditation Board. Retrieved from https://www.eagleregistrations.com/wp-content/uploads/2009/04/Flyer_ISO90013.pdf .

Gelinas, U. J., Sutton S. G., and Fedorowicz J. (2004) *Business processes and information technology*. [The Orange Grove version] (Global Text, p. 98) Retrieved from http://florida.theorangegrove.org/og/file/77fedb02-9e74-6aea-3e24-7f4d1f315d03/1/BusinessProcesses.pdf.

Grant, E. L. & Leavenworth, R. S. (1980). *Statistical Quality Control.* (5th ed). New York   : McGraw-Hill.

Guth, W. D., & Marsh, C. (2006). *Public relations: A values-driven and approach.* (3 ed., p. 397) Boston, MA: Pearson: Allyn and Bacon.

Horowitz, H. L. (1987). *Campus life: Undergraduate cultures from the end of the eighteenth century to the present.* (p.11) [u.a: The University of Chicago Press.].

Internal Revenue Service. (2011, April 11). *I.R.S. audits*. Retrieved from http://www.irs.gov/businesses/small/article/0,,id=219552,00.html.

Internal Revenue Service (2003). *Letter 3572-B: Tax compliance letter.* Retrieved from http://taxhelplaw.com/Audits_IRS_Letter_3572.html.

Jacobsons, S. D., & Wolfe C. (1990) Auditing with your microcomputer. *Journal of Accountancy, 169*(2), 70-80. Retrieved from *EBSCOhost*.

Kausek, J. (2006). *The management system auditor's handbook*. Milwaukee, WI: ASQ
    Quality Press. Retrieved from http://asq.org/quality-press/display-
    item/index.html?item=H1267 (Original work published 2005). [Audit Gift Bundle
    version] Retrieved from
    https://mail.bgsu.edu/owa/redir.aspx?C=3f8f72d73db147ee8e43d89f6b22c1fc&U
    RL=http%3a%2f%2flinks.mkt3019.com%2fctt%3fkn%3d1%26ms%3dOTE2Mj
    QzS0%26r%3dNzg3NDU4MTk1S0%26b%3d0%26j%3dMjU0MjU2NjMS1%26
    mt%3d1%26rt%3d0.

Komives, S. R., Dugan, J.P., Owen, J.E., Slack, C., Wagner, W., & National
    Clearinghouse of Leadership Programs (NCLP) … Associates (2011). *The
    handbook for student leadership development.* (2nd Ed.). San Francisco: Jossey-
    Bass. Wendy W.

Krishnan, J., & Schauer, P. C. (2001). Differences in quality among audit firms. *Journal
    of Accountancy*, *192* (1). 85. Retrieved from *EBSCOhost*.

Larsen, K. J. M. (2011, October 21). Re: Audit seminar [Electronic mailing list message].
    Retrieved from https://mail.bgsu.edu/owa/.

Lord, A. T. (2010). The prevalence of fraud: What should we, as academics, be doing to
    address the problem? *Journal of Accounting and Management Information
    Systems/Contabilitate Si Informatica De Gestiune, 9*(1), 4-21. Retrieved from
    EBSCOhost.

McClellan, G. S., Stringer, J., Barr, M. J., & National Association of Student Personnel
    Administrators (U.S.). (2009). *The handbook of student affairs administration.*
    San Francisco, CA: Jossey-Bass.

McCrackan, A. (2004). *Practical Guide to Business Continuity Assurance*. [ebrary
    version] (p. 33) Boston, MA: Artech House. Retrieved from http://0-
    site.ebrary.com.maurice.bgsu.edu/lib/bowlinggreen/docDetail.action?docID=1008
    2015&p00=assurance.

Mueller, K. H. (1961). *Student Personnel Work in Higher Education.* Boston: Houghton
    Mifflin.

Nicolaou, A.I. (2009). Integrated information systems and transparency in business
    reporting. *International Journal of Disclosure and Governance*. *7* (3), 216-226.
    doi:10.1057/jdg.2009.27.

Office of Campus Activities, American Society for Quality BGSU student section (ASQ)
    (2011, March). *Accounting Statement & SBC Funding Budget Statement*. Bowling
    Green, OH: BGSU. Unpublished raw data.

Packwood, W. T., Miller, T. K., & Parker, C. A. (1977). Student activities. In Schmidt,
    M. B. & Blaska, B. (Eds.), *College Student Personnel Services.* (pp. 113-178)
    Springfield, IL.: C. C. Thomas.

Pfannerstill, R. (2006). *The progressive audit: A toolkit for improving your
    organizational quality culture.* Milwaukee, WI: ASQ Quality Progress. [Audit
    Gift Bundle version] Retrieved from
    https://mail.bgsu.edu/owa/redir.aspx?C=3f8f72d73db147ee8e43d89f6b22c1fc&U
    RL=http%3a%2f%2flinks.mkt3019.com%2fctt%3fkn%3d1%26ms%3dOTE2Mj
    QzS0%26r%3dNzg3NDU4MTk1S0%26b%3d0%26j%3dMjU0MjU2NjMS1%26
    mt%3d1%26rt%3d0.

Phillips, W. (2009). *ISO 9001:2008 internal audits made easy: tools, techniques, and step-by-step guidelines for successful internal audits* (3rd Ed). Milwaukee, WI: ASQ Quality Press. [Audit Gift Bundle version] Retrieved from https://mail.bgsu.edu/owa/redir.aspx?C=3f8f72d73db147ee8e43d89f6b22c1fc&URL=http%3a%2f%2flinks.mkt3019.com%2fctt%3fkn%3d1%26ms%3dOTE2MjQzS0%26r%3dNzg3NDU4MTk1S0%26b%3d0%26j%3dMjU0MjU2NjM1%26mt%3d1%26rt%3d0.

Prentice, R. A. (2005). *Student guide to the Sarbanes-Oxley Act*. Mason, OH: Thomson/West.

Rentz, A. L., MacKinnon, F. J. D., & Associates (2004). Student Activities. In R. K. Murphy, E.G. Whipple, (Eds.). *Rentz's Student Affairs Practice in Higher Education* (3rd ed, pp.298-335). Springfield, IL: C. C. Thomas.

Rocket Lawyer Incorporated (2012). *Free Audit Letter Showing Accounting Errors.* Retrieved from http://www.rocketlawyer.com/Letter-audit_letter_showing_accounting_errors.aspx.

Sarbanes Oxley Act of 2002 (Title I, II, IX, & XI).

Schweser, C., Temte, A., & Kaplan Associates. (2011). *CPA exam facts: Auditing and attestation.* Retrieved from Kaplan CPA Review website: http://www.schweser.com/cpa/about/index.php.

Sinn, J. (2006). LSSQTT: Lean Six Sigma Quality Transformation Toolkit. [Computer Software]. Unpublished Software. Retrieved from http://www.bgsu.edu/colleges/technology/faculty/sinn/TQTT.htm.

Stewart, C. L. (2011, October 21). Re: Audit seminar [Electronic mailing list message]. Retrieved from https://mail.bgsu.edu/owa/.

U.S. Department of Defense, Data Item Description. (1995). *DI-MGMT-81466: Cost performance report.* Retrieved from http://www.everyspec.com/DATA+ITEM+DESC+(DIDs)/DI-MGMT/DI-MGMT-81466_16103/.

U.S. Department of Defense, Military Standard: Corrective action disposition system for nonconforming materials. (1986). *MIL-STD-1520C: Standardization document improvement proposal*. Retrieved from http://www.everyspec.com/MIL-STD/MIL-STD+(1500+-+1599)/MIL_STD_1520C_1489/.

Wilensky, H. L., & University of California, Berkeley. (1964). The professionalization of everyone? *American Journal of Sociology, 70,* 137-158. Berkeley, CA: University of California.

Appendix A: ISO 9001 Background
EAGLE Registrations Inc., 40 North Main Street, Suite 2410

Dayton, OH 45423

800-795-3641| 937-293-0220 fax

https://www.eagleregistrations.com/wp-

content/uploads/2009/04/Flyer_ISO90013.pdf

What is ISO 9001?
ISO 9001 is a globally-accepted set of standard requirements, procedures, processes and practices that help businesses—regardless of size or industry—effectively manage their business to provide quality products and services that meet customer and regulatory requirements. ISO 9001 is the base quality management system that can be applied to any industry. Some industries, such as automotive (ISO/TS 16949), aerospace (AS 9100), and environmental (ISO 14001) had specific requirements that are not included in ISO 9001. ISO 9001 provides the base structure for these industries, plus the additional industry-specific requirements.

Why ISO 9001?
ISO 9001 provides businesses with a quality management system that includes proven tools to help them efficiently and effectively manage their business, while providing quality products.

In today's highly competitive market, ISO 9001 can help business gain a competitive advantage edge, as well as open the door to the global market.

The ISO 9001 system integrates a company's internal processes across the entire organization, facilitating a process approach for managing the business organizations. It provides a system to identify, measure, control and improve the various core business processes, ultimately leading to improved business performance.

Certification to ISO 9001 provides proof that a company was committed to providing a quality product. Companies that are certified agree to meet and maintain the requirements of the standard and that they are focused on continuous improvement and customer satisfaction. Retaining existing customers and attracting new ones was essential to the success of an organization. Utilizing a proven system like ISO 9001 can make the difference.

Key Facts and Features
Requirements include (but are not limited to):
• Internal audits

- Key process procedures
- Process monitoring
- Management Review

- Record keeping
- Corrective action plans

- Continuous improvement

Eagle Registrations. (2010). *ISO 9001: 2008 Quality management systems.* Dayton, OH: ANSI-ASQ National Accreditation Board. Retrieved from https://www.eagleregistrations.com/wp-content/uploads/2009/04/Flyer_ISO90013.pdf

APPENDIX B: QMS-MANAGEMENT RESPONSIBILITY (Kausek, 2006)

Process Audit Checklist 1 – Area Manager/Owner Checklist	Page No. _____

This checklist should be used to interview area managers or owners about current issues, problems, process performance and improvement opportunities within the area to be reviewed. It covers some items not included on the Full Production Process Audit Checklist. Use it to evaluate manager involvement and commitment and to identify areas that will require more detailed review later.

Standard Requirements	Reviewer Checks
Area Manager/Owner Audit Questions	
Ask the area manager or owner to describe the major activities performed in the area under review. During this discussion, ask them: 1. **How are these activities monitored**? Have process metrics been established? Include monitoring of activities relating to significant environmental aspects. ☐ 2. **How are these processes performing**? Review the metrics, both for current performance and for trends. Probe into about any questionable areas. ☐ 3. **How wasthis information (process performance) communicated to the workforce**? wasthere a method or process? ☐ (6) 4. **What are the manager's/owner's most important concerns or problems with the process**? Ask about current or recent process issues, equipment issues, product problems, ect. Get as much info as you can about these issues. You will try to determine reasons for problems during the audit. ☐ 5. **What improvement projects or objectives are currently underway that affect this process**? Improvement projects/objectives mayhad beenrelated to process, product or cost. Consider also any environmental objectives or targets. Ask how these align with corporate objectives and/or the quality policy. It helps to had	**Basic Process Information:** Name of process: <u>Auditing the Office of Campus Activities reports of ASQ Student Branch at BGSU</u> Manager/Owner: <u>Rickie R. Sanders, President of ASQ Student Branch at BGSU</u> Metrics: <u>Inherent Risk</u> Performance: <u>High</u> Metrics: <u>Control Risk</u> Performance: <u>High</u> Metrics: <u>Acceptable Audit Risk</u> Performance: <u>High</u> Metrics: <u>Planned Detection Risk</u> Performance: <u>High</u> PDR equation (Arens et al., 260, 2010) Concerns/Problems: <u>Due to poor standing with financial consusltant, allocation was reduced 25% from $500 to $375</u> Concerns/Problems: <u>Membership Roster does not contain the names from "student focused" dinner meeting attendees letter sent from Dr. Sinn on Thursday, April 21, 2011</u> Concerns/Problems: <u>SBC Operating payee eliminated the SBC Allocation account 6/14/2011</u> Concerns/Problems: <u>Election Meeting on 4/20/22 not recorded appropriately</u> Objectives/CI: <u>Obtain Documentation</u> Performance: <u>Medium</u> Objectives/CI: <u>Perform Recalculation</u> Performance: <u>High</u> Objectives/CI: <u>ISO 9001 Analytical Procedures</u> Performance: <u>High</u>

Process Audit Checklist 1 – Area Manager/Owner Checklist	**Page No.**

This checklist should be used to interview area managers or owners about current issues, problems, process performance and improvement opportunities within the area to be reviewed. It covers some items not included on the Full Production Process Audit Checklist. Use it to evaluate manager involvement and commitment and to identify areas that will require more detailed review later.

Standard Requirements	**Reviewer Checks**
reviewed the corporate objectives prior to this interview. ☐ (2) 6. **What is the performance on achieving any objectives and/or targets that had been set?** Are they being monitored? Is the manager/owner knowledgeable about performance in achieving these objectives? ☐ 7. **What would you consider to be the group's best practices?** Research any areas that the process owner feels are superior. If the BP encompasses an entire process you may want to use the BP Checklist. 8. **Was there anything we should look at closely while we are out on the floor/in the area**? Was there anything we can do to address concerns the manager/owner may had with the process. Most likely these will be associated with the answer to question 4 above. ☐	Objectives/CI: <u>Inquiries of Client</u> Performance: <u>Low</u> Best Practice: <u>Polka-Yoke</u> Performance: <u>High</u> Best Practice: <u>Falsifying</u> Performance: <u>High</u> **Overall evaluation:** ✖ **Conforms**. No deficiencies identified. ☑ **Opportunity for improvement**. Detail below. ☑ **Best Practice**. Detail below had been specific. ☑ **Nonconformity**. Provide details below. Reference the specific requirement violated. **Full Description of NC/OFI/BP** (use back if necessary) **OFI:** <u>**Accuracy-**</u> Record transactions are stated at the correct amounts <u>**Classification-**</u> Amounts included in the client's (ASQ Student Branch at BGSU) are recorded properly while being distributed to the Office of Campus Activity. <u>**Cutoff-**</u> Transactions near the balance sheet date are recorded in the proper period. <u>**Detail Tie-in**</u> Details in the account balance agree with related master file amounts, foot to the account balances, and agree with the total in the general ledger. **BP: Balance-Related Audit Objectives** **NC:** Polka-Yoke & Falsifying

Kausek, J. (2006). *The management system auditor's handbook*. Milwaukee, WI: ASQ Quality Press.
    Retrieved from http://asq.org/quality-press/display-item/index.html?item=H1267 (Original work published 2005).

APPENDIX C: ISO 9001 AUDIT CHECKLIST-MANAGEMENT RESPONSIBILITY
(Kausek, 2006)

ISO 9001:2000 General Requirements – Management Responsibility	
Reviewer Checks	**Reviewer Checks**
Planning the Process Audit	

<table>
<tr>
<td colspan="2">Define key inputs and resources for each of the processes to had been reviewed. Use process documentation, flowcharts or SIPOC diagrams to identify these.</td>
<td>Determine the processes/activities to had been included in the scope of the audit. The scope may had been provided as part of an audit schedule or plan, or it may need to had been developed by the audit program manager. List the process(es) below:

Processes   **Document No.**
☑ Management Review
✖ Quality Policy Manual
✖ Customer Satisfaction Monitoring
☑ ISO 9001
☑ Polka Yoke
☑ Falsifying</td>
</tr>
<tr>
<td>Process</td>
<td>Key Inputs and Resources</td>
<td rowspan="6"></td>
</tr>
<tr>
<td>1. Plans Activities
2. Plans ORIGINAL FUNDS PLANNED to SBC.</td>
<td>Rickie R. Sandards, President of ASQ Student Branch at BGSU.</td>
</tr>
<tr>
<td>3. Sends ORIGINAL FUNDS PLANNED to Office of Campus Activities.</td>
<td>Kellis A. Pruty, Treasury of ASQ Student Branch at BGSU.</td>
</tr>
<tr>
<td>4. Open ORIGINAL FUNDS PLANNED forms.
5. Review ORIGINAL FUNDS PLANNED orders.
6. Confirms attendance meetings from ROSTER.
7. Enter (key) SBC FUNDS REQUESTED ORDERS into computer.
8. Enter (key) ORIGINAL FUNDS PLANNED orders into computer</td>
<td>Office of Campus Activities</td>
</tr>
</table>

9. Evaluates the Standard of SBC FUNDS REQUESTED. 10. Evaluates the standing based on the ROSTER with the financial consultant of the Office of Campus Activities. 11. May reduce the standard budget from $500 by 25% ($375) upon low attendance by the student organization. 12. Sends information back to Office of Campus Activities.	Student Budget Committee	
13. Receive order from SBC. 14. Records order from SBC. 15. Distributes money to student organizations.	Office of Campus Activities	
Based on your review, add, delete, or modify the questions on this checklist to focus your evaluation and to incorporate local requirements and inputs. Recognize that most of the requirements that must be verified will be called out in local procedures and instructions.		Consider the following information relating to the processes to be examined. ☑ Previous audit results related to the selected processes ☑ Current process metrics relating to the selected process ☑ Significant corrective actions or complaints relating to the selected processes ☑ Auditee management

Corrective Actions and Current/Recent problems	Review the core process metrics relating to quality objectives and the performance of the QMS, including customer feedback.

Corrective Actions and Current/Recent problems

List any problems, CARs, or items from previous audits that should had been evaluated or verified during this audit.

Problems noted for later examination:

Concerns/Problems: <u>Due to poor standing with financial consultant, allocation was reduced 25% from $500 to $375</u>

Concerns/Problems: <u>Membership Roster does not contain the names from "student focused" dinner meeting attendees letter sent from Dr. Sinn on Thursday, April 21, 2011</u>

Concerns/Problems: <u>SBC Operating payee eliminated the SBC Allocation account 6/14/2011</u>

Concerns/Problems: <u>Election Meeting on 4/20/22 not recorded appropriately</u>

Review the core process metrics relating to quality objectives and the performance of the QMS, including customer feedback.

Metric	Recent Performance	Trend
Inherent Risk	**High**	**High risk in accounts due to negligent contributions on management**
Control Risk	**Medium**	**The contributions on fixing the internal controls might had a reasonable assurance on management.**
Acceptable Audit Risk	**High**	**Completely Uncertain of Material Misstatements**
Planned Detection Risk	**High**	**With an uncertainty of material misstatements over a average attempt on managing the accounts, there was a high risk that the problem will had been identified while applying this equation to this research.**
PDR equation (Arens et al., 260, 2010)		

Objectives and/or targets to review:

1. Objectives/CI: <u>Obtain Documentation </u>Performance: <u>Medium</u>
2. Objectives/CI: <u>Perform Recalculation</u> Performance: <u>High</u>
3. Objectives/CI: <u>ISO 9001 A/P</u>   Performance: <u>High</u>
4. Objectives/CI: <u>Inquiries of Client</u> Performance: <u>Low</u>

Responsibilities, Authorities and Awareness of Customer Requirements/Issues	
Ask about the responsibilities and authorities related to processes under the control of the manager being interviewed.	We continue our review of Management Responsibility by verifying that responsibilities and authorities of those responsible for quality had been identified and communicated throughout the department/organization. The general structure of the interview was as follows:
1) In general, how are **responsibilities and related authorities** communicated to employees? ☐ 5.5.1	1) In general, how are responsibilities and authorities defined 2) What does the manager see as his/her responsibilities 3) How engaged was the manager in communications relating to customer requirements and/or issues **Manager <u>Rickie R. Sanders</u>** **Overall evaluation:** ✖ Conforms. No deficiencies identified. ☑ Opportunity for improvement (OFI). Detail below.

2) What are your responsibilities in relation to the QMS? ☐ 5.1	1. Attend 7 Meetings in order to increase the allocation to $500.
	   2. Add the names from Dr. Sinn's "student focused" dinner meeting attendees
	☑ Best Practice (BP). The detail below had been specific.
	   1. Polka Yoke
	   2. ISO 9001
	   3. Falsifying

3) If the **Management Representative** reports to the manager being interviewed, verify that the MR's responsibilities and authorities are clearly defined. ☐ 5.5.2	☑ Nonconformity (NC). Provide details below. Reference the specific requirement violated. 1. **Your treasurer did make it to one meeting this year on November 2nd at 9:00 A.M., but last year's treasurer only made it to their Nov and Mar meetings. This affects you because the previous year's Feb through Mar scores count toward 2012 funding. That means that out of a total of 7 meetings, your org made it to only 2. This would account for the entire funding penalty. (Batdorf, 2011)**
4) How do we ensure that customer requirements are known and met? ☐ 5.2 *Reference ISO 9001 clause 5.*	**Comments and Findings** Attendance was part of the problem for the ASQ Student Branch at BGSU's accounts. The cut made it hard for ASQ Student Branch at BGSU to develop their reconstruction costs for the SBC Budgeting Statements.

Management Review	

1) If a procedure was available ask to see the procedure. Ask the auditee to walk you through the process (follow along if you had a procedure). During the discussion verify evidence of:
 	
• Frequency of the review ☑
• Attendance ☑
• Records and/or minutes ☑
• Action follow system ☑
• Mandatory inputs 5.6.2
– Audit results ☑
– Customer feedback ☑
– Process performance ☑
– Product conformance ☑
– Corr/Prev action status ☑
– Quality objectives ☑
– Key process metric trends ☑
– Follow-up actions from previous reviews ☑
– Improvement recommendations ☑
• Required outputs: 5.6.3
– Need for changes to policy/QMS ☑
– Need/opportunities to improve products/processes ☑
– Adequacy of/need for resources ☑
2) Using information gained from previous questions, discuss the reporting of relevant process/product and/or problem information relating to the manager's area during the Management Review. ☑ 5.6
Reference ISO 9001 Clause 5.6
	This interview focuses on the management review process. The auditor should select the questions had been asked based on the auditee's level of involvement with the review…i.e. was the manager a participant only or the owner of the process. The owner (Plant Manager, CEO, etc.) should had been able to discuss all items in this section. A participant should had been able to discuss his/her input into the management review along with any related actions that come from the review.
	Overall evaluation:
	✖ Conforms. No deficiencies identified.
	☑ Opportunity for improvement (OFI). Detail below.
	☑ Best Practice (BP). Detail below.had been specific.
	☑ Nonconformity (NC). Provide details below. Reference the specific requirement violated.
	
	Review Date Attendance? Comprehensive? Actions?
	1. Planning Registration ☐ Yes ☑ No ☐ Yes ☑ No ☐ Yes ☑ No
	  Action 1: Account occurrence were recorded **Completed?** ☐ Yes ☑ No
	  Action 2: Account forms were complete **Completed?** ☐ Yes ☑ No
	  Action 3: Account forms were accurate **Completed?** ☐ Yes ☑ No
	  Action 4: Account forms were recorded right **Completed?** ☐ Yes ☑ No
	  Action 5: Account forms were at the right date **Completed?** ☐ Yes ☑ No
	
	2. Financial Assurance ☑ Yes ☐ No ☐ Yes ☑ No ☑ Yes ☐ No
	  Action 1: Existence of the balance sheet **Completed?** ☑ Yes ☐ No
	  Action 2: Balance sheet information was done **Completed?** ☐ Yes ☑ No
	  Action 3: Balance sheet information was right **Completed?** ☐ Yes ☑ No
	  Action 4: Controllership was maintained **Completed?** ☐ Yes ☑ No
	
	3. Roster Management ☑ Yes ☐ No ☐ Yes ☑ No ☐ Yes ☑ No
	  Action 1: Disclose the entity's records **Completed?** ☐ Yes ☑ No
	  Action 2: Complete the disclosures **Completed?** ☐ Yes ☑ No
	  Action 3: All information was disclosed **Completed?** ☑ Yes ☐ No
	  Action 4: Information was presented clearly **Completed?** ☐ Yes ☑ No
	
	 Comments and Findings

Kausek, J. (2006). *The management system auditor's handbook*. Milwaukee, WI: ASQ Quality
     Press. Retrieved from http://asq.org/quality-press/display-item/index.html?item=H1267
     (Original work published 2005).

APPENDIX D: ALL PROCESS MODEL (Phillips)
Document Control Audit Matrix
Process audited: <u>Office of Campus Activities reports of ASQ Student Branch at BGSU</u>.

Type of Document Audited	Number of documents observed	Number that were readily available	Number that were properly approved	Number that were the current issue	Number with the nature of the latest revision identified	Comments
Account Statement	1	1	1	0	0	
SBC Funding Budget Statement	2	2	2	1	0	
Registered Student Organization Membership Roster	1	1	1	4	0	

Phillips, W. (2009). *ISO 9001:2008 internal audits made easy: tools, techniques, and step-by-step guidelines for successful internal audits* (3rd Ed). Milwaukee, WI: ASQ Quality Press.
.

APPENDIX E: IRS AUDIT

Internal Revenue Service (IRS)

Fresno, CA 93888

Business Number: 1-800-829-1040

http://www.irs.gov/businesses/small/article/0,,id=219552,00.html

What is an IRS audit?

An IRS audit was a review/examination of an organization's or individual's accounts and financial information to ensure information was being reported correctly, according to the tax laws, to verify the amount of tax reported was accurate.

Publication 556, Examination of Returns, Appeal Rights and Claims for Refund explains the audit process in more detail.

Frequently asked questions are also available.

Audit Selection

Selecting a return for audit does not always suggest that an error has been made. Returns are selected using a variety of methods, including:

- Random selection and computer screening - sometimes returns are selected based solely on a statistical formula.
- Document matching - when payor records, such as Forms W-2 or Form 1099, don't match the information reported.
- Related examinations - returns may had been selected for audit when they involve issues or transactions with other taxpayers, such as business partners or investors, whose returns were selected for audit.

Audit Methods

An audit may be conducted by mail or through an in-person interview and review of the taxpayer's records. The interview may be at an IRS office (office audit) or at the taxpayer's home, place of business, or accountant's office (field audit). The IRS will tell you what records are needed. Audits can result in no changes or changes. Any proposed changes to your return will be explained.

Audit Notification

Should your account be selected for audit, you will be notified in two ways:

- By mail, or telephone

In the case of a telephone contact, the IRS will still send a letter confirming the audit. E-mail notification was not used by the IRS.

Your Rights During an Audit

Publication 1, Your Rights as a Taxpayer, explains your rights as a taxpayer as well as the examination, appeal, collection, and refund processes. These rights include:

- A right to professional and courteous treatment by IRS employees.
- A right to privacy and confidentiality about tax matters.
- A right to know why the IRS was asking for information, how the IRS will use it and what will happen if the requested information was not provided.
- A right to representation, by oneself or an authorized representative.
- A right to appeal disagreements, both within the IRS and before the courts.

Audit Length

The length of each audit varies depending on the type of audit, the complexity of items being reviewed, the availability of information being requested, the availability of both parties for scheduling of meetings and your agreement or disagreement with the findings.

Records Needed

A written request for specific documents needed, will be provided to you.

The law requires you to retain records used to prepare your return. Those records generally should had been kept for three years from the date the tax return was filed.

The IRS does accept some electronic records. Contact your auditor to determine what can be accepted to ensure a software program was compatible with the IRS's.

Audit Determinations

An audit can be concluded in three ways:

- No change: an audit in which you had substantiated all of the items being reviewed and results in no changes.
- Agreed: an audit where the IRS proposed changes and the taxpayer understands and agrees with the changes.
- Disagreed: an audit where the IRS has proposed changes and the taxpayer understands, but disagrees with the changes.

What Happens When You AGREE With The Audit Findings?

If you agree with the audit findings, you will be asked to sign the examination report or a similar form depending upon the type of audit conducted.

If money was owed, there are several payment options available. Publication 594, The IRS Collection process, explains the collection process in detail.

What Happens When You DISAGREE with the Audit Findings?

A conference with a manager had been requested for further review of the issue or issues. In addition, Fast Track Mediation or an Appeal request had been filed.

Internal Revenue Service. (2011, April 11). *I.R.S. audits*. Retrieved from
http://www.irs.gov/businesses/small/article/0,,id=219552,00.html.

APPENDIX F: ACCOUNTING ERRORS AUDIT REPORT

Chris Stewart
Grad Assist-Teaching
264 Technology Building
Bowling Green State University, OH

Audit Year: Spring 2011
Contact Name: Chris Stewart
July 24, 2011   Business Phone: (419)372-2439
Cell Phone: (419) 410-8848

American Society of Quality
28176 Quail Hollow Rd
Farmington Hills, MI 48331-5652

Dear American Society of Quality,

In the course of a routine audit, it was discovered that the following expenses had been applied to the wrong categories:

1. T-shirt Supplies Account, for payment of $200, had been incorrectly applied to the Kick-off Meeting Account. It should had been applied under T-shirt supplied Account.

2. Election Meeting Account for 4/20/22 needs to had been corrected.

3. All other corrections for the SBC Funds requested accounts needs to had been addressed.

Accounts	Currently	Needs to be.
Kick-Off Meeting	$200	$100
T-shirt Supplies	$0	$200
Supplies (cups and plates	$0	$50
Honorarium	$250	$100
Car rental	$0	$200
Gas	$0	$200
Admissions	$0	$200
Panel discussions	$250	$100
Honorarium	$250	$100
Plant Tour	$150	$150

Please assign these expenses to their proper categories. I will expect these problems to had been resolved before the next monthly audit

Sincerely

Chris Stewart

Rocket Lawyer Incorporated (2012). *Free Audit Letter Showing Accounting Errors.* Retrieved
    from http://www.rocketlawyer.com/Letter-audit_letter_showing_accounting_errors.aspx.

APPENDIX G: Audit Letter

Chris Stewart
Grad Assist-Teaching
264 Technology Building
Bowling Green State University, OH   Audit Year: Spring 2011
                                           Contact Name: Chris Stewart
July 24, 2011   Business Phone: (419)372-2439
                                           Cell Phone: (419) 410-8848

American Society of Quality
28176 Quail Hollow Rd
Farmington Hills, MI 48331-5652

Dear American Society of Quality,

Your student organization above has been selected for an examination. The examination of your organization is to verify correctness of income, and assurance to Bowling Green State University that your accounts are being properly managed.

WHAT YOU NEED TO DO

Call the contact above within 5 days to schedule an appointment. Please call between 8:30 a.m. and 4:30 p.m. listed above.

ISSUES REVIEWED DURING THE EXAMINATION

Your issues had been focused on the following issues.

1. Income

2. Expenses

3. Reinvestments

WHAT YOU NEED TO BRING WITH YOU

Please include complete copies of your Account Statement, SBC Budget Statement, and any other information that your organization considers of value for this audit. You should organize your records as listed above.

Internal Revenue Service (2003). *Letter 3572-B: Tax compliance letter.* Retrieved from
        http://taxhelplaw.com/Audits_IRS_Letter_3572.html.

APPENDIX H: Form 8-D: Standardization Document Improvement Proposal

STANDARDIZATION DOCUMENT IMPROVEMENT PROPOSAL	
1. DOCUMENT NUMBER	**2. DOCUMENT TITLE** MIL-STD-1520C, Corrective Action Disposition System for Nonconforming Materials

3a. NAME OF SUBMITTING ORGANIZATION: ASQ Student Branch at BGSU	**4. TYPE OF ORGANIZATION:**
b. ADDRESS *(Street, City, State, ZIP Code)* Bowling Green, OH Bowling Green State University	☐ **VENDOR** ☐ **USER** ☐ **MANUFACTURER** ✖ **OTHER** *(Specify)*: <u>Student Organization:</u> <u>Academically Affiliated</u>

5. PROBLEM AREAS:
Paragraph Number and Wording:
Election Meeting on 4/20/22
Membership Rooster was false.
Recommended Wording:
Election Meeting on 4/20/11
Update Membership Rooster to current members.
Reason/Rational For recommendation:
Correct only if the meeting was attended based on the confirmation by the Financial Advisor from the Office of Campus Activities.
Membership Roster does not contain the names from "student focused" dinner meeting attendees letter sent from Dr. Sinn on Thursday, April 21, 2011

6a. REMARKS:

1. <u>Due to poor standing with financial consultant, allocation was reduced 25% from $500 to $375</u>

2. <u>Membership Roster does not contain the names from "student focused" dinner meeting attendees letter sent from Dr. Sinn on Thursday, April 21, 2011</u>

3. <u>SBC Operating payee eliminated the SBC Allocation account 6/14/2011</u>

4. <u>Election Meeting on 4/20/22 not recorded appropriately</u>

7a. NAME OF SUBMITTER-Optional Chris Stewart, A.S., B.S.B.A., CQS, AICPA Member	**b. WORK TELEPHONE NUMBER** *(Independent Area Code)*-**Optional** 419-372-2439/ Skype
c. MAILING ADDRESS: -Optional	**8. DATE OF SUBMISSION** 11/15/2011

DD FORM **1426** 82 MAR   PREVIOUS EDITION IS OBSOLETE.

U.S. Department of Defense, Military Standard: Corrective action disposition system for nonconforming materials. (1986). *MIL-STD-1520C: Standardization document improvement proposal*. Retrieved from http://www.everyspec.com/MIL-STD/MIL-STD+(1500+-+1599)/MIL_STD_1520C_1489/.

APPENDIX I: Audit seminar [Electronic mailing list message]

Dear Kelly Jo,

What are the steps of procedures according to your office regulations to give a presentation to all of the Student Organizations at BGSU on how to conduct an audit?

Chris Stewart

Chris,

You didn't clarify anything from your first email and I'm still not sure I understand what you were asking. In short, the Office of Campus Activities does not mandate organizations to attend any session outside of the required trainings at the beginning of the semester that were provided by our office. There is not a mechanism in place for you to present on any topic to all of the registered student organizations.

Thanks,
Kelly Jo

Larsen, K. J. M. (2011, October 21). Re: Audit seminar [Electronic mailing list message]. Retrived from
https://mail.bgsu.edu/owa/.
Stewart, C. L. (2011, October 21). Re: Audit seminar [Electronic mailing list message]. Retrieved from
https://mail.bgsu.edu/owa/.