



Internal Audit

***DRAGO COLLEGE STORE INVENTORY AND
WEST PLAINS CAMPUS CASH COUNTS***

May 15, 2014

Office of Internal Audit



Missouri State
U N I V E R S I T Y

DATE: May 15, 2014

TO: Dr. Herbert Lunday, Dean of Student Services – West Plains

FROM: Donna Christian, Director of Internal Audit and Compliance
Tami Reed, Senior Internal Auditor

CC: Kathy Schloss, Drago College Store Manager
Dr. Drew Bennett, Chancellor – West Plains
Clifton M. Smart III, University President

**RE: INTERNAL AUDIT: DRAGO COLLEGE STORE INVENTORY AND WEST PLAINS
CAMPUS CASH COUNTS**

BACKGROUND

On April 1, 2014, Internal Audit reviewed the annual physical inventory at the West Plains campus Drago College Store and performed unscheduled cash counts along with a review of procedures at various cash collection points on the West Plains campus.

OBJECTIVE AND SCOPE

The objective of this audit was to review the accuracy of the Drago College Store inventory count and account for cash funds assigned to various campus locations.

SUMMARY

No significant exceptions were noted during the West Plains Drago College Store inventory review and cash counts; however, some recommendations have been made to improve procedures.

Internal Audit wishes to thank the staff and management of the West Plains campus for their support during this audit.

Sincerely,

Donna Christian, CPA, CGFM
Director of Internal Audit and Compliance

Senior Internal Auditor: Tami Reed
Audit Field Work Completed: April 9, 2014

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(1) Observation – Physical Inventory Testing:

The physical inventory count for the West Plains Drago College Store, performed on April 1, 2014, reflected the total wholesale cost as **\$101,012.88**. The inventory balance in the College Store's computerized point of sales system (Booklog) as of April 1, 2014 was **\$102,378.76**, resulting in an adjustment (shrinkage) of **\$1,365.88**. This shrinkage computes **0.23%** of retail sales and is significantly below the national average of **1.44%** as reported by the 2012 National Security Survey Report released by the University of Florida. This report has been used as a bench mark for determining the acceptable level of shrinkage, and is the most current report available at this time.

No exceptions were identified during our testing of the physical inventory count and the shrinkage amount appears reasonable.

Recommendation:

None.

(2) Observation – Reconciliations:

The College Store and the Business Office perform monthly reconciliations between Booklog (the College Store point of sales system) and Banner (the University accounting system) to identify and correct posting errors on a timely basis. As a result of these monthly reconciliations, the year-end inventory adjustment to agree Banner to the physical inventory count continues to remain at a reasonable amount. Historically the adjustments to the Banner general ledger inventory account as a result of the physical inventory counts are as follows:

Year	Adjustment to reconcile Booklog with Banner
FY09	\$ 3,172
FY10	(2,809)
FY11	(4,774)
FY12	(24)
FY13	(3,442)
FY14	(1,009)

The College Store and the Business Office are commended for performing monthly reconciliations to ensure transactions affecting inventory are accurately posted.

Recommendation:

None.

(3) Observation – West Plains Campus Cash Counts:

In conjunction with on-campus inventory tests, unscheduled cash counts were performed at the following campus locations:

Location/Office	Cash Assigned March 31, 2014
Business Office	\$400.00
Library	52.00
Civic Center	85.00
Admissions	20.00
AACCESS	100.00
Friends of Library	100.00
Drago College Store	500.00
Book Buy Back Funds	700.75
Food Service	75.00

All funds assigned by the Business Office were located in the respective offices, counted and agreed to cash records without exception. Some cash located at the Drago College Store could be better secured. Details of the cash counted are as follows:

- The Business office change fund per book is **\$300.00**, and the cash drawer count totaled **\$300.00**. **No exceptions noted.**

The Business office petty cash fund per book is **\$100**. The cash count totaled **\$64.70** and payouts totaled **\$35.30**. All payouts were supported by invoices or other documentation. **No exceptions noted.**

- The Library assigned cash fund is **\$52**. The cash drawer count totaled **\$75.50**, with the hand written cash receipts book showing two receipts totaling **\$23.50** had been collected since the previous day's deposit. **No exceptions noted.**
- The Civic Center assigned cash fund is **\$85.00**. A count of the money on hand totaled **\$134.00**, which represents the **\$85.00** assigned cash and **\$49.00** in cash receipts based on the cash register subtotal. **No exceptions noted.**
- The Admissions assigned cash fund is **\$20.00**. The cash bag contained **\$20.00** in currency and the receipt records/mail log indicated there had been no monies received since the previous day's deposit with the Business Office. **No exceptions noted.**
- The Student Advisement and Academic Coaching Center for Empowering Student Success (AACCESS) is assigned **\$100.00**. A count of the cash bag totaled **\$110.00** consisting of the **\$100.00** assigned funds and one **\$10.00** receipt for a testing fee. **No exceptions noted.**
- The Friends of the Library is assigned **\$100.00** for periodic sales at the Library. The cash bag, which is kept in the Business Office safe between usages, contained **\$100.00**. **No exceptions noted.**
- The Bookstore is assigned **\$500.00** for the cash drawer and **\$700.75** for Book Buy Back funds. The cash drawer count totaled **\$500.00**. The Book Buy Back fund contained **\$643.75** in cash and payouts to two students totaling **\$57.00**. **No exceptions noted.**

During the day, part of these cash funds are placed in each of the cash registers with the balance of the funds stored in an unlocked desk credenza close to the front door. To adequately secure the cash, these monies should be placed in a locked area away from the front door access.

- The Food Service fund in Putnam Hall is assigned **\$75.00**. The cash drawer count totaled **\$87.22**, including the **\$75.00** assigned cash and **\$12.22** in cash register receipts since the last deposit. **No exceptions noted.**

In addition to the assigned cash funds, the Business Office had the prepared deposits ready to be delivered to the bank. All deposits were recounted and agreed without exception. Within this deposit, \$138.00 in guest fees for the Student Recreation Center was counted. See Observation (4) below for further review of the Student Recreation Center procedures.

Recommendation:

Adequately secure all cash funds in the Drago College Store.

Management Response:

Implemented.

(4) Observation – Student Recreation Center:

During our cash count of the Business Office deposits we counted \$138 in guest fees collected at the Student Recreation Center and turned in to the Business Office. Our review of collection procedures of the Student Recreation Center identified some areas where improvement is needed.

The Student Recreation Center serves as a community storm shelter and a student recreation center for use by the students, faculty/staff and community. Students are assessed a fee of \$25 per semester which provides all students and their guest full-privilege access to the center. In addition, all employees (full/part-time, current/retired) and their guest, as well as alumni (who were enrolled beginning in Fall 2008 and subsequent) have full-privilege access at no cost. All students, employees and alumni that are provided full-privilege access have a sign in sheet that they are required to sign each time they utilize the center.

All other persons not included in the categories mentioned above are considered community members, and are allowed to use the center on Friday and Saturday at a daily rate of \$3/day. Community members have a separate sign in sheet where they sign their name, date and time of entry. A student worker then collects \$3 cash and drops the money in a locked area. Each Monday the Coordinator of Student Life and Development is responsible for collecting the receipts and submitting them to the Business Office to be deposited. Cash receipts (currency) was \$3,176 for FY13 and \$2,258 for the 9 months ended April 1, 2014.

Some areas of concern were noted:

1. Money collected is not deposited timely. Instances were noted where monies are being held for 17 days before being deposited with the Business Office. Entry fees are required to be paid in currency only. The University Cash Handling Procedures state that “All Cash collected must be deposited at the Business Office within one business day after collection/receipt of such money...”
2. Although the \$138 counted during our cash count agreed without exception to the sign in sheets (each signature at \$3 entry fee), many names were scratched off the community sign-in sheet with no explanation. In some cases it does indicate that the person signed the wrong sheet or came too close to closing, however in other instances the name, date and time were scratched out with no reason documented. Currently no receipt slips are issued for monies received.
3. Patrons at the Student Recreation Center on the West Plains campus are not requested to sign a form addressing liability issues. At the Bill R Foster & Family Recreation Center on the Springfield campus, patrons are required to sign an *activity consent and release form* addressing risk and liability issues related to using the facility. For the West Plains campus, such a form could serve a multi-functional purpose as a release form and a receipt slip.

Recommendations:

1. Ensure cash received is deposited timely in compliance with the University's Cash Handling Procedures.
2. Begin issuing receipt slips for all money received or ensure all names scratched off the sign-in sheet are well documented as to the reason the names are being removed from the listing.
3. Consult with University legal counsel regarding a liability release form for patrons of the Student Recreation Center.

Management Responses:

Management agrees with all recommendations and will comply immediately.

