



Greenwood Laboratory School

September 27, 2016

Office of Internal Audit and Compliance



Missouri State[™]

U N I V E R S I T Y

DATE: September 27, 2016

TO: Dr. Janice R. Duncan, Director

FROM: Donna Christian, Director of Internal Audit and Compliance
Jane Dewberry, Senior Internal Auditor

CC: Dr. David L. Hough, Dean, College of Education
Dr. Frank A. Einhellig, Provost
Clifton M. Smart III, University President

GREENWOOD LABORATORY SCHOOL

BACKGROUND

Greenwood Laboratory School is located on the Springfield campus of Missouri State University and provides kindergarten through twelfth grade education. Greenwood operates under the Missouri State University College of Education. The school was originally established in 1908 as part of the teacher training curriculum at Springfield Normal School. Greenwood is accredited by AdvanceED, and meets the graduation requirements of the Missouri Department of Elementary and Secondary Education. Greenwood offers K-12 students state-of-the-art technology and inquiry-based learning in a small class environment. Greenwood has enrollment of approximately 360 students.

Greenwood's mission is to support Missouri State University as a laboratory of best practices in teaching and to prepare students who are knowledgeable, creative, caring and engaged citizens. For more than 100 years, Greenwood students have excelled as scholars, athletes and citizens. Greenwood's tradition of limited enrollment creates an extraordinary learning environment allowing students to participate in multiple activities and programs. Graduates are well-rounded and academically prepared for success in college. Dr. Janice R. Duncan serves as Director of the Greenwood Laboratory School and Dr. Ronald E. Snodgrass is Assistant Director.

OBJECTIVE AND SCOPE

The objectives of this audit were to review the adequacy of internal controls, ensure compliance with University policies, and evaluate the management of financial resources. The scope of this audit included the three years ending June 30, 2016.

SUMMARY

This report includes recommendations addressing the following:

Greenwood Laboratory School has a combined negative fund balance of -\$52,428 at June 30, 2016. This deficit is the result of a large negative balance in the school's athletic funds which totaled -\$218,639 at June 30, 2016. For the school to better manage their financial condition, three areas must be addressed:

1. The number of funds must be reduced to a more manageable level. The school currently attempts to operate from 32 separate funds. Maintaining this many funds has resulted in a confusing financial structure that has proven to be difficult for Greenwood administration to manage.
2. Greenwood must prepare budgets that include all revenues and expenses of the school. Preparing a complete budget is necessary for the school to document and execute a plan to reduce the school's deficit balance.
3. Greenwood must establish rates for tuition and fees that cover all operating expenses, including athletics. Like other K-12 schools, athletic programs must be supported by the school's operating revenues. Missouri State University provides most of the school's overhead costs, but tuition and fee revenue must be set at a level to cover all operating costs.

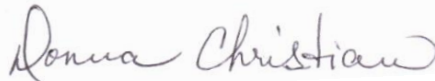
Greenwood's scholarship award process lacks written policies and documentation of the evaluation process. Additionally, better accounting procedures should be in place for awarded scholarships and the timeliness of awards should be improved. Scholarships totaled approximately \$55,000 for the 2015-2016 school year.

Terms listed in the school's enrollment contract should be followed or updated to reflect current procedures. Also, steps should be taken to ensure delinquent tuition is collected and there should be written calculation guidelines for prorated tuition rates.

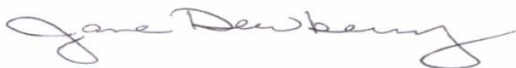
Tuition discounts given to employees have not been formalize through the University's policies. Additionally, written guidelines should be established to help ensure consistent procedures are applied when awarding discounts. Approximately \$69,000 was discounted for employees during the 2015-2016 school year.

University policies governing cash collection procedures must be followed. These include issuing receipt slips for monies collected, depositing timely, and segregating accounting duties. Establishing storefronts to allow parents to make online payments for certain collections would help to reduce the amount of cash and checks collected at the school's business office. This was previously recommended in an audit report dated February 2014. The school collects approximately \$140,000 annually in the business office.

This report also makes recommendations regarding computer security, background checks, summer camps, basketball tournaments, and food service payments.



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



Jane Dewberry, Senior Internal Auditor
Audit Field Work Completed: September 19, 2016

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Financial Condition

Some progress was made in fiscal year 2016 to reduce Greenwood Laboratory School's combined deficit fund balance; however, more progress is needed. Greenwood's revenues and expenses are tracked in separate funds within the Missouri State University accounting system. The chart below shows the school's combined fund balances at the end of each of the last four years.

Greenwood Laboratory Schools Combined Fund Balances Years Ending June 30,					
		2013	2014	2015	2016
Operating Fund	\$	81,371	(23,402)	77,990	61,241
Student Fees & Related Funds		61,114	71,596	55,875	104,970
Athletic Funds		(280,302)	(240,813)	(289,885)	(218,639)
Total Balance	\$	(137,817)	(192,619)	(156,020)	(52,428)

Note: Fund Balances do not include monies associated with student clubs or other similar funds.

Although progress has been made, the athletic funds continue to maintain a significant negative balance. Like other K-12 schools, athletic programs must be supported by the school's operating revenue. Athletic related revenues are not sufficient to cover all athletic expenses. At June 30, 2016 most of the Athletic Fund deficit balance is offset by student fees; however, these fees are charged to students for things like textbooks, lockers, music supplies, and safety items, and the school does not intend to use these fees for athletics.

Increases to tuition over the last several years have helped to increase Operating Fund revenue, and in 2016 \$62,100 was transferred from the Operating Fund to the Athletic Fund to help reduce the deficit. Going forward it is crucial that Greenwood continue to make progress in eliminating their deficit fund balance. Our review identified some areas where improvement is needed within Greenwood's financial structure that could assist the school in better managing their financial condition.

Reduce the number of funds

At June 30, 2016 Greenwood Administrators had 32 separate funds to manage. Shown in the chart above are 24 funds (the Operating Fund, 19 student fee and related funds, and four Athletic Funds). Greenwood also has another eight student organization/restricted funds that are not included in the chart above because these monies should not be used by the school for operational purposes. Having 32 separate funds makes managing the school's financial structure more time consuming and cumbersome. See pages 20-21 for financial information related to all 32 funds.

- Some funds, such as the Summer Camp and School Improvement Funds, had very little activity and should be closed into the Operating Fund. Only \$47 was spent from the Summer Camp Fund during the last three years. Maintaining several funds with little to no activity is not an efficient way to manage the school's finances.
- The school's application processing fee is placed in a separate fund, but the monies are not used for any specific or consistent purpose. For example, monies were used for conference fees, math competitions, motor pool charges, and computer training. Since the money from this fee is used to cover a variety of operational costs, the Application Fee Fund should be closed and these monies deposited directly into the school's Operating Fund.
- Some of the student fee funds have negative balances because the expenses charged to the fund are more than the revenue from the student fees. At June 30, 2016 the Debate Fee Fund and the Spanish Fee Fund had negative balances of -\$27,731 and -\$1,587, respectively. Rather than maintaining several funds with negative balances, consideration should be given to closing these student fee funds into the school's operating fund and tracking them through a separate "org" number.
- With so many funds, errors were occasionally made and expenses were posted to the wrong funds. For example, we noted debate expenses paid from the Foreign Language Fee Fund. Also, \$650 in girls' basketball income was deposited into the Software Fee Fund. This fund had been previously closed, but was reopened in 2015 when this deposit was made in error. The fund is still open with a \$650 balance as the error has not been corrected. Also, several transfers were made to move money between funds which would not be necessary if the number of funds were reduced significantly.
- Several of the funds contain titles in the University's accounting system that differ from the names used by Greenwood. For example, the fund entitled "Operating Expenses" in the University's accounting system is the Text Book Fee Fund at Greenwood. Also the "Class of 2000" University fund is the Field Trip Fund at Greenwood.

The purpose of maintaining a separate fund is to match revenues with related expenses and to track any unspent balance. If the fund is not matching revenues and expenses or if the revenue does not cover all related expenses, then there is no benefit to maintaining a separate fund. Additionally, funds with little to no activity should also be closed and funds should be correctly titled. All of these issues make the Greenwood financial structure confusing, increasing the likelihood for error. By reducing the number of funds, the school's financial picture becomes more clear and easier to manage.

Prepare budgets for all funds

An annual budget is only prepared for the school's Operating Fund. As a result, approximately \$400,000 in revenue and expenses in the school's student fees and athletic funds are not budgeted. Budgets represent the school's financial plan for the coming year and provide administrators with a means to effectively monitor the financial condition of the school. With a large deficit balance in the Athletic Fund, preparing budgets is particularly important. Establishing a complete overall budget will provide information for setting rates for tuition and fees, and document a clear plan on how administrators intend to reduce the overall deficit fund balance.

Set tuition and fee rates to cover all operating costs

Greenwood should establish rates for tuition and fees that cover all operating expenses, including athletic expenses. Missouri State University provides most of the school's overhead costs such as, utilities, janitorial services, in-house professional services (legal, accounting, auditing, human resources), and some maintenance services, but tuition and fee revenue should be set at a level so all operating costs are covered. While Greenwood has steadily increased tuition rates over the last several years helping in reducing the school's deficit fund balance, rates need further review. For the 2016-2017 school year Greenwood also increased their extracurricular activities fee used to support athletics from \$120 per sport to \$150 per sport. However, this fee had not been increased since 2011. It is important that all tuition and fee rates are reviewed

annually to make certain the school's deficit fund balance continues to decrease. Tuition and fee rates should be reviewed in conjunction with establishing the school's annual budget.

Conclusion

Work is needed to continue to improve Greenwood Laboratory School's financial condition. This includes improving the school's financial accounting structure by reducing the number of funds to a more manageable level, preparing an overall budget for all funds that clearly documents a plan to eliminate the school's deficit balance, and reviewing the tuition and fee structure annually.

Recommendations

Continue to work to eliminate the school's deficit fund balance. Simplify the school's financial structure by reducing the number of funds and ensuring the funds are accurately titled. Improve the school's budgeting process to include a budget for all funds that clearly documents how the school plans to cover all athletic related expenses and eliminate the deficit balance. Perform a review of tuition and student fee rates annually.

Management Response

Administration is working with the part-time Greenwood financial officer to reduce and retitle funds. We have eliminated approximately 10 funds and have been changing titles. By the end of November this should be accomplished with approximately eighteen remaining funds with proper titles.

We will work with the University's Financial Services Department to prepare annual budgets for our Operating Fund, all of our student fee funds, and our Athletic Fund.

Tuition will be raised next year in an effort to increase revenue. In addition, we will continue to look at other strategies to reduce the deficit. Tuition will continue to be reviewed annually in conjunction with establishing the annual budget.

2. Scholarships

- A. More formal policies and procedures are needed to adequately control the scholarship award process. Approximately \$55,000 in scholarships were awarded in the 2015-2016 school year with \$49,000 awarded to 18 students through the scholars' program and \$6,000 awarded to one student through the diversity scholarship program.
- Documentation of the scholarship evaluation and decision process is not maintained. Without documentation it is not clear how scholarship awards are determined. For example, the Greenwood Scholars' Program offers scholarships to students who qualify based on high academic and citizenship standards, as well as financial need. The school contracts with a third party vendor to calculate a student applicant's financial need, but it was not clear how much a student's academic performance and financial need were considered. Our review indicated that of the 18 students awarded scholarships, 6 students had a calculated financial need of zero, but received scholarships ranging from \$1,845 to \$3,625 each.
 - Very few written policies and procedures have been established to manage the scholarship process. For example, the director indicated scholarships were not awarded to students in classes that were full or had a waiting list. However, we found no written criteria indicating that these students are not eligible for scholarships, and some students in these classes were awarded scholarships.
 - A scholarship committee has not been formed to review, evaluate and determine scholarship awards. The Director, Assistant Director and a counselor were the only individuals involved in the scholarship award process. Greenwood Administrators should consider establishing a scholarship committee that

includes one or more Missouri State University employees familiar with financial aid and scholarship award procedures.

To ensure scholarship funds are awarded properly, documentation should be maintained of the evaluation process, written policies and procedures should be established and followed, and consideration should be given to establishing a scholarship committee.

- B. Scholarships awarded to students were not properly recorded in the accounting records or in the student's account receivable records. For example, \$53,000 of the \$55,000 in scholarships awarded was not posted to the scholarship account in the school's accounting records. Instead, the scholarship amount was deducted from the tuition charged to students and it appeared as if the student was charged a lower tuition rate. This lack of proper reporting occurred because documentation sent to the University's Financial Services Department did not contain adequate details to determine that the accounting entries related to a scholarship. This has resulted in several concerns:

First, the tuition rate for Greenwood is included in the Missouri State University fee schedule and approved by the Board of Governors. There is no authority in the fee schedule for the reduction of the approved tuition amount. To comply, the full amount of tuition should be initially charged to all students and once a scholarship has been awarded, the scholarship should be shown separately as a deduction from the amount owed.

Second, the budget approved by the Board of Governors authorizes a set amount of scholarships to be awarded to Greenwood students each year from tuition revenue. When an awarded scholarship is not posted correctly in the accounting records, the budget accountability over scholarships is eliminated. For example, during fiscal year 2016, the approved budget authorized \$14,000 for Greenwood scholarships, but \$55,000 was awarded to students. However, since most scholarships were not correctly recorded, the financial statements only reported \$2,000 in awarded scholarships. As a result, it appears as if the amount of scholarships awarded was within the \$14,000 authorized in the budget.

Next, some donated funds through the Missouri State University Foundation are available for Greenwood scholarships. With the lack of scholarship documentation and the poor accounting for awarded scholarships, it is not clear which scholarships should have been funded by these donations. Additionally, since Greenwood funds accumulate to a deficit balance, consideration should be given to utilizing some Foundation monies to cover the scholarship deficit.

Lastly, when the scholarship is recorded as a reduction to tuition and not as a scholarship award in the student's account, invoices sent to parents don't always provide adequate detail. Instead, the invoice often just shows the net tuition due without itemization of the full tuition charge and the scholarship award.

To ensure scholarship are accounted for in a clear and accurate manner, all scholarship awards should be recorded in the scholarship account in the financial records.

- C. Scholarships were not awarded and posted to student accounts until November. With the enrollment contract requiring tuition to be paid by December 15, this doesn't give parents adequate time to make plans to pay the balance due. Particularly those parents who applied for, but were denied scholarship assistance. Greenwood Administrators should consider awarding scholarships early in the school year.

Recommendations:

- A. Maintain documentation of the evaluation and award process, and establish written policies and procedures to be followed when evaluating and awarding scholarships. Additionally, consideration should be given to forming a scholarship committee that includes individuals from Missouri State University to help provide independent evaluation of scholarship applicants.
- B. Ensure the full amount of tuition is charged to all students' accounts with scholarship amounts properly posted to the accounting records. Additionally, invoices sent to parents should provide adequate detail of

the total tuition charged and the scholarship awarded. Finally, consideration should be given to utilizing available Foundation funds to cover some of the awarded scholarships.

- C. Award scholarships in a timely manner at the start of each school year.

Management Response

- A. *Scholarship records have now been organized and filed. A committee is being formed and will include an MSU representative. A scholarship applicant must meet the standards of all students attending Greenwood which includes acceptable grades, standardized test scores at or above grade level, minimal discipline infractions and regular attendance. The parent(s) submit their financial information to an independent agency which notifies Greenwood of the financial need level for each applicant who applies for the financial support. Written policies and procedures will be established over the scholarship process.*
- B. *This has now been corrected, with the full amount of tuition charged to each student, and then the scholarship amount posted properly. Invoices will show this detail. The excess balance in the Operating Fund was used to cover scholarships for the 15-16 school year, and scholarships for the 16-17 school year are being funded from the Foundation Funds.*
- C. *Only students beginning after the school year has started will have delayed scholarships posted or, in a very few cases, parents who have a financial crisis during the year.*

3. Enrollment Contract

Some disparity exists between terms in the enrollment contract signed annually by parents and procedures followed by administrators and staff.

- The enrollment contract requires all tuition and fees be paid by December 15 of the current school year. The contract further stipulates that students with unpaid balances cannot enroll for the Spring semester beginning in January. These contract terms are not always enforced, and unpaid tuition from prior years is not actively monitored by Greenwood administrators and staff. For example, two students from one family with an unpaid balance from the 2013-2014 school year were allowed to attend school during the Spring 2014 semester and one of the two also attended during the 2014-2015 school year. At June 30, 2016 the family owed \$15,615 which was eventually turned over to a collection agency. Although Greenwood collection personnel have access through the University's accounting system to unpaid student accounts from prior years, these unpaid accounts are not monitored. As of August 22, 2016 (the first day of the 2016-2017 school year) \$38,310 was still due from the 2015-2016 school year, and \$39,947 was due from the prior two years and has now been written off as bad debt and turned over to a collection agency.
- The enrollment contract indicates a \$5 late fee will be charged on past due balances; however, this fee is not charged and should be removed from contract terms.
- The enrollment contract states that refunds are not given after August 1 of each year without extenuating circumstances approved by the Dean of the College of Education. Greenwood administration routinely prorates tuition and fee amounts and issues refunds to students who transfer out before the end of the year without adequately documenting the extenuating circumstances and approval by the Dean. Additionally, tuition and fees are often prorated when a student transfers in after the start of classes. Neither the enrollment contract or the Board of Governor approved fee resolution addresses prorating tuition and fees for students who start later in the school year. To provide better control over these adjustments to tuition and fees, consideration should be given to updating the enrollment contract and the fee resolution to allow for administrators to prorate tuition and fees in certain circumstances. Also written guidelines should be established to address the method of calculating prorated tuition of fees.

Recommendations:

Follow the terms in the enrollment contract, or update contract terms to reflect actual procedures. More actively monitor unpaid tuition amounts and ensure all returning students have paid the prior year's tuition balance in full. Additionally, prorated tuition and fees should be adequately addressed through the Board of Governor approved fee resolution, the enrollment contract and written calculation guidelines.

Management Response

The enrollment contract is being edited to more accurately reflect the practice. Proposed contract changes will be reviewed by the University's General Counsel. Regular bimonthly unpaid tuition lists are now being reviewed and monitored, with parents contacted as needed. This has resulted in over two-thirds of the unpaid tuition being collected. Written guidelines for prorating tuition will be established for students who enter Greenwood after the first of the year or who move during the year.

4. Tuition Fee Waivers

Greenwood Laboratory School matches the tuition fee waiver (discount) the University gives to Missouri State Employees to use at Greenwood. Combining both waivers, full time Missouri State Employees receive the financial equivalent of up to 15 credit hours waived annually in Greenwood tuition. (7.5 from the University and 7.5 matched by Greenwood.) This tuition discount provided through Greenwood's annual budget totaled approximately \$69,000 for the 2015-2016 school year.

- A. The tuition fee waiver matched by Greenwood is not listed in the University's faculty or staff benefit documents or approved by the Board of Governors in Governing Policies G7.02 for staff benefits or G3.03 for faculty benefits. The only documentation we were able to locate where this benefit was mentioned at a Board of Governors meeting was in the Provost's report in the June 17, 2011 meeting. The report indicated that the Greenwood Laboratory Schools would begin offering a tuition waiver from their budget to compliment the 7.5-hour employee benefit tuition waiver that the University supports. There was no resolution or vote by the Board of Governors to approve this benefit, or to change the Governing policies that authorizes employee benefits. To formalize this tuition waiver, approval should be obtained from the Board of Governors and policies should be updated.
- B. Although not specified in the June 17, 2011 Board of Governor meeting minutes, invoices sent to Greenwood parents for tuition specify that if both parents of a student work at Missouri State University, Greenwood will only provide one match to full time Missouri State employees. However, during our review we observed instances where this practice was not always followed. For example, one two-parent employee household received two tuition waiver matches during the 2015-2016 school year which was against normal practice. In this situation one of the parents was also not a full-time employee and shouldn't have received the \$1,500 match anyway. One other part-time employee received matches against normal practice for two years totaling \$3,000. Additionally, \$6,000 in matches were given to individuals who are not University employees and did not receive the University's tuition waiver. To ensure the tuition waiver match is distributed appropriately, written guidelines should be established and followed.

Recommendations:

Formalize the tuition fee waiver matched by Greenwood by including it in appropriate governing policies and establishing written guidelines.

Management Response

The tuition fee waiver matched by Greenwood for MSU employees will be reviewed and formalized as appropriate.

5. Cash Controls

The Greenwood Laboratory School collects approximately \$140,000 annually at the school's business office. Collections are for items such as school trips, club dues, pink and white tournament profits, athletic ticket and concession sales, and other school related activities. Tuition payments are not collected at the school's business office, but are paid directly to the Missouri State University Bursar's Office. Our review identified the following areas where improvements should be made related to cash controls.

- A. Receipts are not written for money collected. University Operating Policy 8.04 requires departments collecting funds from individuals to give each individual an official receipt. Official Missouri State University prenumbered receipt books may be obtained at the Bursar's Office, and completed receipt books must be returned to the Bursar's Office for retention purposes. During our review we observed that the Greenwood office had a Missouri State University official receipt book; however, only one receipt slip was issued from the book. This receipt slip was dated in 2013. To ensure all money is accounted for properly, receipt slips should be written for all monies received, and then the receipt slips should be compared to the money turned over to the Bursar listed on the money received report.
- B. Money received is not deposited with the Bursar's Office timely. Instances were noted where checks deposited were dated several weeks or months before the deposit date. For example, a deposit made on April 25, 2016 totaling \$31,796 included numerous checks with February 2016 dates on them. According to the Greenwood Accounting Clerk, money included in this deposit had been overlooked in the safe in the Greenwood administrative offices. University Operating Policy 8.04 requires money collected to be deposited at the Bursar's Office within one business day after collection. Had receipt slips been written for these monies and the receipt slips compared to the money turned over to the Bursar as noted in A above, it would have been less likely these monies would have been overlooked.
- C. Duties are not adequately segregated and no one reviews cash receipt records. The Greenwood Financial Clerk is responsible for receiving, depositing and recording all money. University Operating Policy 8.04 requires a separation of duties between the person receiving cash and the person responsible for maintaining the accounting records. This is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved because of the lack of available staff, the Director should implement documented independent or supervisory reviews of receipt slips issued and accounting records.

An internal audit report from February 2014 recommended that Greenwood Administrators ensure proper cash controls are in place, and consider establishing storefronts to allow parents to make online payments for the various school items. During the last 2+ years controls over cash collections have not improved, and Greenwood Administrators have only established a storefront for the purchase of yearbooks. All other payments are still collected through the business office.

Recommendations:

In accordance with University policy, official University receipt slips should be issued for all monies received, deposits should be made in a timely manner, and accounting duties should be segregated or a supervisory review performed and documented. As previously recommended by Internal Audit in February 2014, Greenwood Administrators should consider establishing storefronts to allow parents to make online payments for various items such as club dues, school trips, camps and other items. Online payments collected through a storefront would help to reduce the amount of money received at the school's business office.

Management Response

Receipt slips will be issued by the office for all monies received, deposits will be made more timely, and duties will be segregated or supervisory reviews will be performed and documented in accordance with University policy. More storefronts will be established to allow for online payments and reduce the amount of cash and checks collected.

6. Computer Security and Background Checks

A. Greenwood uses a web-based software program for all student data, including confidential student data. Two concerns were noted:

- Greenwood school was unable to locate and provide auditors with a contract with the software company. Without a contract it is unclear of the exact services to be provided and the responsibility of either party.
- Greenwood school has not had the software program reviewed by the University's Information Security Unit. Operating Policy 12.07-2 requires internal and external security testing on information systems to ensure sensitive data is shared only with external organizations who are well prepared to protect it. Additionally, since a contract could not be located it is unclear what safeguards are in place to protect student data.

To ensure all data is adequately protected school administrators should obtain a written contract with the software provider that includes appropriate safeguard and liability terms as approved by the University's Chief Information Officer and the University's General Counsel, and school administrators should request a risk assessment be performed on the system by the University's Information Security Unit in compliance with University policy.

B. Upon employment, full time Greenwood employees receive multiple criminal background checks, including a child abuse and neglect screening through the Missouri Department of Social Services. However, University maintenance staff perform janitorial services at the school during the day and evening hours, but have not had this screening because the personnel performing this service sometimes varies. School Administrators should work with University Administrative Services staff and Human Resource staff to maintain a consistent assignment of maintenance staff and ensure they are properly screened.

Recommendation

- A. Obtain a written contract with the software provider that includes appropriate safeguard and liability terms as approved by the University's Chief Information Officer and the University's General Counsel, and request a risk assessment be performed on the system by the University's Information Security Unit.
- B. Work with University Administrative Services staff and Human Resource staff to maintain a consistent assignment of maintenance staff at the school and ensure they have the proper background screenings.

Management Response

- A. *We have contacted the software company and asked for a contract. This will be provided to the University's General Counsel and Information Security for review.*
- B. *We will meet with University Administrative Services and Human Resources to address background screenings on maintenance workers and other similar employees assigned to Greenwood.*

7. Summer Camps

Various summer camps are held for students by Greenwood instructors. For example, one instructor held a Spanish Camp for students from ages 18 months to adult. According to the Greenwood Director, instructors are permitted to hold summer camps for the students and personally retain the income from the camps. Instructors are asked to pay the school 10 percent of the camp proceeds. Several concerns were noted regarding this arrangement.

- No tracking procedures are in place for the camps held at the school. Administrators were unable to provide auditors with a listing of camps held at the Greenwood facility during the 2016 summer months.
- There was no documentation to support the income received from the camps. Greenwood recorded \$600 in camp income which would equate to \$6,000 being received by instructors for the various camps if all instructors were charged and paid 10 percent of the camp proceeds as stated. However, without documentation the amounts cannot be verified.
- There are no contracts between the instructors and the school authorizing the use of the facility for these camps, indicating the rental rate, allowing the instructors to retain the income, or specifying other terms such as whether or not liability insurance should be provided by the instructor.

Monitoring procedures should be developed to properly oversee the summer camps held by instructors at the Greenwood facilities. Additionally, Greenwood Administrators should consult with the University's General Counsel concerning written agreements articulating both the school's and the instructor's responsibilities.

Recommendation

Develop monitoring procedures to track summer camps and consult with the University's General Counsel regarding written agreements.

Management Response

The Greenwood calendar is used to indicate the type of summer programs, location, times, and instructor. We will begin maintaining a master list of all summer programs, with the attendees and fees collected. A meeting will be held with the University's General Counsel on drafting written agreements with faculty who conduct the summer programs.

8. Basketball Tournaments

Proceeds from the Blue and Gold and the Pink and White Tournaments benefit Greenwood athletics. Greenwood has hosted the Blue and Gold Tournament since 1947, and the first Pink and White Tournament was played in 1973. In 2012 the Pink and White Tournament was combined with the Springfield Public Schools' Lady Classic Tournament. Greenwood and Springfield Public Schools split tournament proceeds evenly for the Pink and White Tournament. Pages 21 and 22 of the Supplementary Data contain detailed financial information regarding both tournaments. Below are financial summaries and recommendations related to each tournament.

A. Blue and Gold Tournament

Blue and Gold Basketball Tournament Financial Summary		
	December 2014	December 2015
Income	\$ 154,795	\$ 152,849
Expenses	<u>108,246</u>	<u>107,870</u>

Net Profit	\$	<u>46,549</u>	<u>44,979</u>
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A.1. The Blue and Gold Tournament is held at the JQH Arena on the Missouri State University campus. Tickets are sold through the JQH Box Office. Greenwood pays a \$1 facility fee to the University for each ticket sold which totaled \$14,673 for the 2015 tournament. The fee schedule approved by the Board of Governors requires a \$2 facility fee be charged on each ticket sold for Non-Missouri State University events. Greenwood should work with the JQH Arena management to ensure compliance with the Board approved fee schedule. This could include amending the fee schedule for a reduced facility fee charge of \$1 per ticket sold for events connected to the University.

A.2.

Pink and White Basketball Tournament Financial Summary			
		December 2014	December 2015
Tournament Income	\$	52,882	\$ 56,791
Tournament Expenses		<u>54,529</u>	<u>59,122</u>
Net Profit (Loss)	\$	<u>(1,647)</u>	<u>(2,331)</u>

Ticket sales proceeds from the Blue and Gold Tournament have not been properly classified in the accounting records as taxable revenue to allow for the payment of sales taxes. Ticket sale

revenue totaled approximately \$120,000 in 2015 resulting in imputed sales taxes of approximately \$8,400. A small increase in ticket price for future years may need to be considered to cover the cost of sales taxes.

B. Pink and White Tournament

- B.1. Income and expenses from the Pink and White Tournament are not accumulated and settlement made with Springfield Public Schools in a timely manner. The Memorandum of Understanding with Springfield Public Schools requires the net profit or loss be determined within 90 days of the tournament ending. Greenwood records indicate that Springfield Public Schools didn't submit cash collected of \$908 for program booklets sold during the December 2015 tournament until May 2016. Additionally, as of August 2016, Springfield Public School's share of the gross profit had not been paid. Greenwood owes Springfield Public School \$1,258. Greenwood administration should work closely with Springfield Public Schools to ensure tournament income and expenses are accounted for in a timely manner.
- B.2. A net loss was incurred for the 2014 and 2015 Pink and White Tournaments. While the loss was not significant, organizers should closely review income and expenses and determine if there are opportunities to increase income or decrease expenses.
- B.3. Better controls and segregation of duties are needed over the financial monitoring of both tournaments. The Tournament Director is responsible for monitoring tournament financial transactions, reporting the net profit/loss, and selling and receiving all sponsorship income. Controls could be improved by segregating these duties or ensuring a supervisory review is performed over the tournament financial transactions. During the December 2014 Pink and White Tournament a \$5,000 sponsorship check was received and deposited by Springfield Public Schools instead of Greenwood Schools. The error was not identified and corrected until April 2015. Additionally, our audit identified that security costs of \$6,264 for the 2015 Blue and Gold Tournament were charged twice to Greenwood. This amount was deducted from ticket sale proceeds by JQH Arena management and then paid again by a transfer from Greenwood to JQH. A correction should be made to transfer \$6,264 from JQH Arena to Greenwood to reimburse the double payment. Adequate controls and monitoring procedures are important to ensure the accuracy of financial transactions.

Recommendations:

- A.1. Work with JQH Arena management to ensure compliance with Board of Governors approved fee schedule. This could include amending the fee schedule for a reduced facility fee charge of \$1 per ticket sold for events connected to the University.
- A.2. In the future ensure ticket sale revenues are properly classified to allow for sales taxes to be calculated and remitted to the Department of Revenue.
- B.1. Work with Springfield Public Schools to ensure tournament income and expenses are accounted for in a timely manner.
- B.2. Review income and expenses for the Pink and White Basketball Tournament and determine if there are opportunities to increase income or decrease expenses.
- B.3. Segregate duties related to tournament financial transactions or ensure a supervisory review is performed over tournament financial transactions. Transfer \$6,264 from the JQH Arena Fund to the Greenwood School Fund to reimburse for security costs charged twice.

Management Response

- A.1. *We will work with JQH management to address the facility fee.*
- A.2. *We will work with JQH management to ensure sales tax is remitted on ticket sale revenues.*
- B.1. *We will meet with Springfield Public Schools to establish a timeline for all payment and expense transfers and reporting.*

- B.2. *Greenwood administration has already determined that tickets for the Pink & White and Blue & Gold tournaments will be increased for 2016. The tournament director is also pursuing other sponsors, and other changes are being considered.*
- B.3. *A review is conducted by the Greenwood financial officer, tournament director and administration. The Greenwood financial officer previously pursued reimbursement of the \$6,264 duplicate charge with JQH management, but was unsuccessful. In August this charge was reimbursed.*

9. Food Service Payments

Greenwood is paying the food service vendor more for student meals than required by contract terms. Student meals for Greenwood are included in the food service contract procured by the University. Greenwood students are charged and pay the food service vendor the correct contract rate, but then Greenwood school also pays the food service vendor the amount reimbursed under the federal school food and nutrition programs once the reimbursement is received. In total for the 2014-2015 and 2015-2016 school years, Greenwood paid approximately \$6,400 more to the food service vendor than required by contract. According to federal guidelines, these reimbursements are to be used for the operations or improvement of the food service. If Greenwood retains the reimbursements, these funds could be used for cafeteria upgrades or other food operation expenses. If Greenwood chooses to continue to pass the reimbursement along to the food service vendor, then contract terms should be amended to ensure these funds are being used in compliance with federal guidelines.

Recommendations:

Discontinue paying the food service vendor the federal school food and nutrition programs reimbursement or amend the contract terms to ensure the food service vendor is utilizing the funds in compliance with federal guidelines.

Management Response

We will meet with the contracted food service vendor to discuss this issue. It is our intentions to cease paying this and to retain the funds for upgrades to our cafeteria.

SUPPLEMENTARY FINANCIAL DATA

**Greenwood Laboratory School
Schedule of Income and Expenses
Year Ended June 30, 2014**

	Operating Fund	Student Fees & Related Funds	Athletic Funds
Revenues:			
Tuition and fees	\$ 1,935,199	\$ 170,947	\$ 22,800
Scholarships	(5,605)	(5,605)	-
Blue & Gold Tournament	-	-	164,064
Pink & White Tournament	-	-	43,050
Other	424	33,268	9,933
Contributions from Foundation	-	190	4,812
	<hr/>	<hr/>	<hr/>
Total Revenue	\$ 1,930,018	\$ 198,800	\$ 244,659

Expenses:

Payroll	1,886,441	9,857	117,426
Travel	433	52,234	25,806
Supplies	28,063	70,404	23,903
Services	63,126	31,674	61,668

Other	6,728	23,999	29,953
Bad Debt	-	150	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ 1,984,791	\$ 188,318	\$ 258,756
Revenue over/(under) Expenses	(54,773)	10,482	(14,097)
Interfund/University Transfers	(50,000)	-	53,586
Beginning Balance July 1, 2013	81,371	61,114	(280,302)
	<u> </u>	<u> </u>	<u> </u>
Ending Balance June 30, 2014	\$ (23,402)	\$ 71,596	\$ (240,813)

**Greenwood Laboratory School
Schedule of Income and Expenses
Year Ended June 30, 2015**

	Operating Fund	Student Fees & Related Funds	Athletic Funds
Revenues:			
Tuition and Fees	\$ 2,027,137	\$ 170,699	\$ 18,000
Scholarships	(12,000)	-	-
Blue & Gold Tournament	-	-	124,802
Pink & White Tournament	-	-	34,660
Other	6,837	28,565	28,364
	<u> </u>	<u> </u>	<u> </u>
Total Revenue	\$ 2,021,974	\$ 199,264	\$ 205,826
Expenses:			
Payroll	1,869,827	2,160	132,511
Travel	50	50,060	34,264
Supplies	8,934	142,837	31,862
Services	41,194	17,632	55,424
Other	577	2,296	837
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ 1,920,582	\$ 214,985	\$ 254,898

Revenue over/(under) Expenses	101,392	(15,721)	(49,072)
Interfund/University Transfers	-	-	-
Beginning Balance July 1, 2014	(23,402)	71,596	(240,813)
Ending Balance June 30, 2015	\$ 77,990	\$ 55,875	\$ (289,885)

**Greenwood Laboratory School
Schedule of Income and Expenses
Year Ended June 30, 2016**

	Operating Fund	Student Fees & Related Funds	Athletic Funds
Revenues:			
Tuition and Fees	\$ 2,074,127	\$ 167,045	\$ 17,760
Scholarships	(2,000)	-	-
Blue & Gold Tournament	-	-	124,184
Pink & White Tournament	-	-	37,694
Other	7,881	23,601	19,993
Contributions from Foundation	-	-	21,575
Total Revenue	\$ 2,080,008	\$ 190,646	\$ 221,206
Expenses:			
Payroll	1,938,256	2,485	105,502
Travel	5,112	48,924	17,358
Supplies	27,067	52,722	35,213
Services	26,852	30,590	54,875
Other	2,100	989	276
Bad Debt	35,270	4,197	480

Total Expenses	\$	<u>2,034,657</u>	\$	<u>139,907</u>	\$	<u>213,704</u>
Revenue over/(under) Expenses		45,351		50,739		7,502
Interfund/University Transfers		(62,100)		(1,644)		63,744
Beginning Balance July 1, 2015		<u>77,990</u>		<u>55,875</u>		<u>(289,885)</u>
Ending Balance June 30, 2016	\$	<u><u>61,241</u></u>	\$	<u><u>104,970</u></u>	\$	<u><u>(218,639)</u></u>

**Greenwood Laboratory School
Combined Fund Balances**

Funds:	Balance	2014			Balance	2015			Balance	2016			Balance
	July 1, 2013	Receipts	Disbursements	Transfers	June 30, 2014	Receipts	Disbursements	Transfers	June 30, 2015	Receipts	Disbursements	Transfers	June 30, 2016
Operating Fund	\$ 81,371	1,930,018	(1,984,791)	(50,000)	(23,402)	2,021,974	(1,920,582)		77,990	2,080,008	(2,034,657)	(62,100)	61,241
Application Fee	630	2,730	(1,529)	-	1,831	3,605	(2,645)	-	2,791	4,485	(2,906)	-	4,370
Locker Fee	12,498	4,795	-	-	17,293	3,835	(3,793)	-	17,335	3,330	(65)	-	20,600
Safety Fee	(45)	12,205	(7,582)	-	4,578	12,150	(2,627)	-	14,101	10,543	(4,023)	-	20,621
Technology & Wireless Fee	8,139	36,500	(51,907)	-	(7,268)	49,600	(39,775)	-	2,557	45,119	(30,641)	-	17,035
Textbook Rental Fee	(5,372)	65,140	(58,245)	-	1,523	52,995	(77,526)	-	(23,008)	45,578	(11,789)	-	10,781
Foreign Language Fee	3,878	2,605	(2,241)	-	4,242	1,940	(1,464)	-	4,718	1,700	(60)	-	6,358
French Fee	-	-	-	-	-	-	-	-	-	120	(20)	-	100
Spanish Fee	-	-	-	-	-	-	-	-	-	100	(1,687)	-	(1,587)
Art Fee	12,614	59,258	(49,347)	-	22,525	43,734	(45,680)	-	20,579	13,366	(7,099)	(21,302)	5,544
Band Fee	-	-	-	-	-	-	-	-	-	39,075	(48,262)	10,254	1,067
Vocal Music Fee	-	-	-	-	-	-	-	-	-	192	(1,350)	16,048	14,890
Cheerleading Fee	4,495	6,827	(11,526)	-	(204)	10,810	(11,343)	-	(737)	8,803	(5,508)	600	3,158
Debate Fee	(29,189)	1,870	(1,437)	-	(28,756)	2,160	(1,867)	-	(28,463)	1,800	(1,068)	-	(27,731)
Music Boosters	5,646	3,041	(555)	-	8,132	3,765	(2,915)	-	8,982	2,879	(832)	(5,000)	6,029
PTA Support	32,902	300	(3,062)	-	30,140	12,074	(24,260)	-	17,954	11,374	(22,596)	4,150	10,882
Summer Camps	5,087	750	-	-	5,837	407	-	-	6,244	600	(47)	1,480	8,277
Language Art Fee	119	-	-	-	119	-	-	-	119	-	-	-	119
Software Fee	-	-	-	-	-	650	-	-	650	-	-	-	650
School Improvement	678	789	(88)	-	1,379	1,539	-	-	2,918	1,543	(654)	-	3,807
Vending Machine	5,318	1,990	(799)	-	6,509	-	(1,090)	(25)	5,394	39	(1,300)	(4,133)	-
Library	17	-	-	-	17	-	-	-	17	-	-	(17)	-
Summer Online Classes	3,724	-	-	-	3,724	-	-	-	3,724	-	-	(3,724)	-
Elementary Math/Science	(25)	-	-	-	(25)	-	-	25	0	-	-	-	-
Total All Student Fees and Related Funds	\$ 61,114	198,800	(188,318)	-	71,596	199,264	(214,985)	-	55,875	190,646	(139,907)	(1,644)	104,970
Athletics	(329,993)	36,255	(102,217)	50,000	(345,955)	35,647	(116,833)	71,159	(355,982)	45,581	(91,521)	103,905	(298,017)
Athletic & Debate Boosters	11,093	-	(8,012)	-	3,081	8,415	(11,640)	-	(144)	11,070	(11,488)	-	(562)
Blue & Gold Tournament	31,694	164,064	(105,446)	3,586	93,898	126,805	(84,291)	(70,000)	66,412	126,861	(77,177)	(50,000)	66,096
Pink & White Tournament	26,222	43,050	(42,956)	-	26,316	34,659	(41,307)	-	19,668	37,694	(33,518)	(10,000)	13,844
Soccer Tournament	159	200	-	-	359	300	-	(659)	-	-	-	-	-
Girls Basketball	(20,473)	1,090	(125)	-	(19,508)	-	(827)	-	(20,335)	-	-	20,335	-
Soccer	996	-	-	-	996	-	-	(500)	496	-	-	(496)	-
Total All Athletic Funds	\$ (280,302)	244,659	(258,756)	53,586	(240,813)	205,826	(254,898)	-	(289,885)	221,206	(213,704)	63,744	(218,639)
Total All Funds Combined	\$ (137,817)	2,373,477	(2,431,865)	3,586	(192,619)	2,427,064	(2,390,465)	-	(156,020)	2,491,860	(2,388,268)	-	(52,428)

**Greenwood Laboratory School
Combined Fund Balances - Activity and Club Funds**

Funds:	Balance	2014		Balance	2015		Balance	2016		Balance
	July 1, 2013	Receipts	Disbursements	June 30, 2014	Receipts	Disbursements	June 30, 2015	Receipts	Disbursements	June 30, 2016
Field Trips	-	3,033	(2,859)	174	3,046	(3,236)	(16)	3,220	(3,204)	-
Senior Class Activities	4,004	2,405	(1,755)	4,654	2,210	(3,572)	3,292	1,890	(2,876)	2,306
Yearbook	17,786	13,891	(13,663)	18,014	14,405	(10,369)	22,050	12,332	(11,729)	22,653
Sustainable Solutions	2,772	420	(513)	2,679	420	(733)	2,366	-	(35)	2,331
Misc. Clubs	2,423	1,489	(1,317)	2,595	2,451	(2,663)	2,383	1,887	(2,505)	1,765
Student Council	1,675	2,468	(2,573)	1,570	1,948	(2,200)	1,318	2,370	(1,829)	1,859
STUCO Ambassadors	12	245	(78)	179	210	(1,621)	(1,232)	50	(379)	(1,561)
School Lunch Program	2,395	2,004	(1,763)	2,636	3,316	(3,148)	2,804	4,263	(3,228)	3,839
Total Activity & Club Funds	\$ 31,067	25,955	(24,521)	32,501	28,006	(27,542)	32,965	26,012	(25,785)	33,192

**Blue and Gold Basketball Tournament
Financial Report**

	December 2014	December 2015
Income:		
Ticket Sale Proceeds	\$ 127,643	\$ 122,472
Program Sales	2,002	1,877
Sponsorships	25,150	28,500
Total Income	154,795	152,849
Expenses:		
Facility Fee	15,607	14,673
Facility Rent	8,000	8,000
Facility Employees	34,985	34,397
Box Office Fees	3,234	3,315
Security/EMT	8,710	9,864
Officials/Athletic Trainers	18,507	20,161
Clothing and Meals	9,095	7,375
Plaques, Administration, Other	4,859	4,836
Greenwood Coach		
Stipend/Benefits	5,249	5,249
	108,246	107,870
 Net Profit (Loss)	 46,549	 44,979

Pink and White Basketball Tournament Financial Report

	December 2014	December 2015
Income:		
Ticket Sale Proceeds	\$ 43,106	\$ 27,386
Program Sales	776	908
Sponsorships	9,000	9,400
Total Income	52,882	37,694
Expenses:		
Facility Fee	6,610	0
Tournament personnel	6,613	0
Officials/Athletic Trainers	11,476	16,691
Security	939	2,074
Clothing and Meals	6,855	8,210
Lodging	3,868	2,835
Plaques, Administration, Other	7,657	3,708
Total Expenses	44,018	33,518
 Gross Profit (Loss)	 8,864	 4,176
 Payment to Springfield School*	 5,262	 0
Amount Owed to Springfield School**	0	1,258
Greenwood Coach Stipend	5,249	5,249
Total Other Expenses	10,511	6,507
 Net Profit (Loss)	 (1,647)	 (2,331)

*December 2014 payment Includes overpayment of \$830.

**Half of gross profit (4,176/2 = 2,088) less \$830 overpayment from prior year.