



***Tent Theatre Missing Cash  
and Silent Auction Items***

***College of Arts and Letters***

***September 18, 2017***

**Office of Internal Audit and Compliance**



# Missouri State<sup>™</sup>

U N I V E R S I T Y

**DATE:** September 18, 2017

**TO:** Dr. Jeremy Chesman, Interim Department Head  
Mark Templeton, Managing Director

**CC:** Dr. Shawn Wahl, Interim Dean, College of Arts and Letters  
Rachael Dockery, General Counsel  
Dr. Frank Einhellig, Provost  
Clifton M. Smart III, University President

**FROM:** Donna Christian, Director of Internal Audit and Compliance  
Natalie B. McNish, Senior Internal Auditor  
Tami Reed, Senior Internal Auditor

## **TENT THEATRE MISSING CASH AND SILENT AUCTION ITEMS**

### **BACKGROUND**

Tent Theatre is a summer theatre program offered by the College of Arts and Letters. This program operates under a full U/RTA agreement, which provides students the opportunity to work with theatre professionals from around the country. Tent Theatre started in 1963, marking its 55<sup>th</sup> year with this 2017 season. Proceeds from ticket, concession, and souvenir sales, as well as a silent auction are deposited in special funds used for scholarships and continued operations of Tent Theatre productions.

On July 14, 2017, the Department of Internal Audit & Compliance became aware of missing gift cards and cash used for Tent Theatre productions. On July 6, 2017, Mark Templeton, Managing Director, filed an incident report stating \$605 in gift cards were missing from his office. On July 8, 2017, Cathy McFall, Accounting Specialist, filed a separate incident report stating \$150 in cash was missing from her office. The gift cards were held as silent auction inventory and the cash was part of a change fund serving the current Tent Theatre productions.

### **OBJECTIVE AND SCOPE**

The objectives were to review the circumstances surrounding the missing gift cards and cash, and review the adequacy of internal controls related to silent auction inventory and cash receipts. The scope included, but was not necessarily limited to, the Tent Theatre productions held June 13 through July 23, 2017.

### **SUMMARY**

Our review of controls and procedures used to manage Tent Theatre cash and silent auction inventory identified control weaknesses in the security, receipt and inventory of donated items, and the receipt of

monies collected from individuals. Improvement is needed in the procedures to dispose of unclaimed items, establishment of change funds, timely deposits of monies collected, and preparation of sales records. Finally, sufficient access to pertinent financial data should be obtained by management to properly plan and monitor the ongoing financial position of Tent Theatre productions.



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



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Natalie B. McNish, CGAP  
Senior Internal Auditor



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Tami Reed, Senior Internal Auditor

Audit Field Work Completed: August 24, 2017

## **OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

### **1. Missing Silent Auction Items**

On Sunday, July 2, 2017, a student manager noticed gift cards missing from the silent auction inventory. The student immediately notified the Managing Director, Mark Templeton, and began a full inventory of all items held for the silent auctions. On Wednesday, July 5, 2017, the student notified the Managing Director that items valued at \$605 were missing, including 9 gift cards to various vendors, 4 admission tickets to an entertainment venue, 3 coupons for free automotive services, and a voucher for a 2-night stay and breakfast at a hotel. On Thursday, July 6, 2017, a report was filed with the Department of Safety and Transportation and the Springfield Police Department.

Each year prior to the opening of Tent Theatre productions, a team of students solicit donations from area businesses for silent auctions, raffles, and prizes. Donated items range from gift certificates and coupons to pieces of fine art and jewelry. As items are promised or received from donors, they are recorded on a spreadsheet and stored in the Managing Director's office. During the 2017 Tent Theatre season, the Silent Auction Manager received donations of more than 400 items valued at approximately \$11,000. These items were combined into 66 different silent auction bundles, a raffle and several prizes, providing \$5,293 to benefit future Tent Theatre scholarships.

Our review of procedures and controls identified that improvement is needed in the following areas:

#### **A. Security of Donated Items**

Donated items are not stored in a secure area. Smaller items such as gift cards, tickets, and coupons are mainly stored in an unlocked drawer of the Managing Director's desk. Larger items are stored in the Managing Director's office, which is generally unlocked and often unmonitored. A safe is placed in the Managing Director's office during Tent Theatre for the purpose of storing money bags used for retail sales. While there was room in the safe, assets were not secured in the safe until after the theft was identified. Even then, some assets (items held for raffle) and larger items remained unsecured. To ensure the security of all assets, the safe should be utilized to the degree possible, and steps should be taken to secure the items which cannot be held in the safe.

#### **B. Receipt of Donated Items**

No receipt is issued to businesses who donate items for auction, raffle or the prize wheel, and donations are not reported to the Foundation as gifts in kind for proper charitable reporting. Items valued at approximately \$11,000 were donated by 150 businesses. These businesses were not issued any type of receipt which reduces the theatre's assurance all donated items were placed into inventory.

#### **C. Inventory of Donated Items**

Inventory lists used to document donated items are not complete or accurate, making it difficult to confirm which silent auction items were missing. Additionally, auditors attempted to reconcile the inventory lists to track each donated item from receipt to disposition, but the ultimate disposition of donated items cannot be easily determined. The following problems were noted:

- We noted several entries on the inventory list showing a date and business name, but no description or value. According to the student manager, 8 entries on the list of donated items were promised, but never actually received. We also noted 3 other items duplicated on the inventory list, including 2 tickets to an entertainment venue, an ornate vase, and a floral arrangement with gift card. Also, one item was pulled from the inventory by the Managing Director, but was not removed from the list of donated items.

- Auditors identified 10 items with a total value of more than \$1,000, included in silent auction bundles but never recorded on the inventory list of donated items. Also, some items reported as missing to Safety and Transportation and the Springfield Police Department were still listed as being included in a silent auction bundle. According to the student manager and Managing Director, the businesses re-donated or the department purchased replacement items for most missing items but the replacement was not documented. These re-donated or purchased items were also not recorded on the inventory list and therefore, it is very difficult to confirm they were missing and replaced.
- Auditors identified 15 items recorded on the inventory list without an associated retail value. Additionally, the retail value of items grouped together on bid sheets did not always agree to retail values when recorded on inventory lists. For example, the retail value of 24 (36%) of 66 bid sheets could not be reconciled to the retail value of individual items recorded on the inventory list of donated items. The cause of these errors was related to both mathematical inaccuracy and the failure to document associated retail values for some items.
- Descriptions of donated items recorded were not always clear or accurate. The inventory list of donated items showed a local business donated “free sandwiches” and listed a value of \$60. Auditor performed a physical inspection of items on hand, and determined the business donated 10 coupons for free sandwiches, with a value of \$6 each. Also, the inventory list of donated items showed a local business donated a “gift card”, but auditors were unable to determine the disposition of this gift card. The Student Manager explained the business actually sent umbrellas, gloves and a pair of goggles.
- Silent auction bid sheet descriptions of the bundle only state the businesses who contributed to the bundled auction items and a total retail value. The bid sheet does not clearly identify each donated item and their retail value included in the bundle. As a result, it is difficult to trace items in silent auction bundles to the inventory lists and bidders are less likely to increase bids when they are unsure of exactly what is included in the bundle.
- Several lines of the inventory list of donated items were skipped or cells were left blank which creates the appearance of missing information. In some instances, these skips or blanks were determined to be deleted information.

As a result of these inaccuracies, auditors were unable to confirm the receipt or disposition of silent auction items, including those items reported as missing.

#### **D. Receipt of monies**

Receipt slips are not issued to individuals paying for silent auction bundles unless specifically requested. Once a production closes and the winning bidder of each bundle is determined, students contact the individual to arrange payment and pick up of the bundle. Generally, individuals are encouraged to pick up bundles at the silent auction table during the next production. If individuals pick up the items from the student workers at the next production, no receipt slip is issued for the money received. Failure to issue receipt slips immediately upon receipt increases the risk of loss or misuse. In addition, Operating Policy 8.04 requires official receipt slips to be issued when collecting funds from individuals.

#### **E. Unclaimed items**

Procedures to dispose of unclaimed silent auction items have not been established. According to the student manager, a Kansas City Chief’s football memorabilia item, donated for auction during the 2016 Tent Season, was paid for by the winning bidder, but never picked up. The item is still in possession of the theatre department. Similar concerns exists for the 2017 season; however, it is still too early to determine which items will be unclaimed. The Managing Director should consult with the University’s

General Counsel to develop procedures to return unclaimed prizes back into current inventory to be auctioned again.

### **Recommendations**

- A. Ensure all donated items are properly secured to protect against loss, theft, or misuse.
- B. Develop procedures to issue a receipt to all businesses upon receipt of donated items and ensure all related information is communicated to the Foundation for proper charitable recording.
- C. Establish clear, accurate and complete inventory records (lists, bundles and bid sheets) to account for all donated items, provide a clear description and accurate value for each item and document the disposition of each item.
- D. Issue receipt slips upon receipt of payment for silent auction bundles, in accordance with operating policy.
- E. Consult with University's General Counsel to develop procedures to return unclaimed prizes back into current inventory to be auctioned again.

### **Management's Responses**

*Dr. Jeremy Chesman, Interim Department Head provided the following responses:*

- A. *We agree with this recommendation and plan to seek out a new and more secure location to store larger items held for the silent auction. In addition, we will secure all smaller items held for the silent auction in a safe.*
- B. *We agree with this recommendation and will work with the Foundation to establish a proper receipting and recording procedures.*
- C. *We agree with this recommendation and will implement clear, accurate and complete inventory records which provide a clear description, accurate value, and identify the disposition of each item for the 2018 Tent Theatre season.*
- D. *We will issue formal receipt slips for monies collected as payment for silent auction bundles as required by policy.*
- E. *We will work with General Counsel to develop procedures for unclaimed prizes.*

## **2. Missing Cash**

On Friday, July 7, 2017, Catherine (Cathy) McFall, Accounting Specialist, was notified of the missing donated items and was advised to check the cash funds held in her office. Cathy counted the money in the bag and identified a shortage of \$150. On Saturday, July 8, 2017, she filed a report with the Department of Safety and Transportation and the Springfield Police Department.

Our review of circumstances surrounding the missing \$150 and our review of cash controls identified that improvement is needed in the following areas:

### **A. Change Funds and Timely Deposits**

The \$350 of petty cash used for change funds is not sufficient to meet the needs of Tent Theatre productions. As a result, \$455 recorded as receipts during the June 13, 2017 opening show was not

transmitted for deposit in a timely manner, but held and occasionally used for change until after the final show. This money, less the \$150 in missing cash, was finally deposited on July 24, 2017.

The Accounting Specialists divides the \$350 cash to make change funds for all three retail areas (\$85 beverages, \$75 custard and \$65 souvenirs), and a \$90 change fund for the Vending Manager to service all three retail areas when they run out of change. These cash funds are kept in the Managing Director's office safe. The remaining \$35 is held in an extra change fund to break large bills during weekend productions; however, \$35 is not sufficient and at times portions of the \$455 from the opening show is used to supplement the extra change fund. The \$455 and the \$35 are stored together in a locked file cabinet drawer within the Accounting Specialists office. However, a set of keys were kept in an unlocked desk drawer in another office. These funds are not counted daily, and as a result, the exact date the \$150 became missing from these funds is unknown.

In addition, the Accounting Specialist works overtime each Saturday and Sunday to prepare change funds for the weekend shows, and is often required to take large bills to area banks and have them cashed into smaller bills. The overtime creates additional cost for Tent Theatre, and an unnecessary hardship for the Accounting Specialist. Further, the failure to deposit proceeds from the opening show timely violates University Operating Policy 8.24 which requires all cash collected to be deposited at the Bursar's Office within one business day of receipt.

The comingling of receipts and change fund amounts makes tracking funds more complicated and increases risk of loss. In order to ensure compliance with University policy, provide efficient and effective operations, and reduce the risk of loss, a change fund sufficient to meet the needs of Tent Theatre productions (including weekend shows) and procedures to maintain those change funds at an imprest balance should be established. This will allow receipts to be deposited timely and remove the tracking complication created by the comingling of monies.

## **B. Sales Reports, Transmittals and Reconciliations**

Sales reports completed for each retail area do not include all necessary information to properly document sales revenue, the reconciliation of change funds, and the transmittal of all funds to the Vending Manager.

At the close of each show, the student workers count down their respective money bags and complete their sales reports showing beginning and ending inventory levels, total sales and total money counted. This information is verified by the Vending Manager and both sign the form. The money and the form are then placed into the safe by the Vending Manager. Our review of the sales reports identified the following issues:

- Sales reports do not document a beginning count of change funds or a reconciliation of total monies held in the bag (sales plus change fund equals total monies) at the end of the night. In addition, the report allows documentation of drawer short, but has no area for drawer long. As a result, all drawer discrepancies are documented as drawer short and summary reports developed for each production and season are inaccurate.
- Sales reports do not properly group like inventory items, creating confusion in the reconciliation of inventory. For example (see report excerpt below), t-shirts sold to patrons are \$12, t-shirts sold to company (actors and stagehands) are \$5 or \$10 for sizes XXL and larger. Each is documented on a different, non-sequential line of the sales report, but all use the same inventory of t-shirts (opening stock 66, closing stock 62). As a result, the sales reports often show a difference in beginning and inventory values, but no sales (see t-shirts line).

	Price	Opening Stock	Closing Stock	# Items Sold	Variance +/-	Total Amount
T-shirts	\$12.00	66	62	0		0
Baseball Shirts	\$17.00	19	18	1		17
Old Polos	\$14.00	2	0	2		16
Paper Fans	\$1.00	529	<del>520</del> 519	34		43
Frisbees	\$4.00	98	98	0		0
Cool Fans	\$10.00	19	19	0		0
Raffle	\$2.00	332	329	0		0
3 Raffle	\$5.00	332	329	1		5
Cooldannas	\$5.00	4	4	0		0
Sale T-Shirts	\$4.00	0	0	0		0
Thermal Bottles	\$10.00	15	15	0		0
Company Shirts	\$5.00	62	62	3		15
CS XXL+	\$10.00	66	62	1		10
Ripped Shirts	\$20.00	5	5	0		0
Tent Hats	\$17.00	13	12	1		17
Donation	N/A	N/A	N/A	N/A	N/A	

- Manual changes to prices (seen on report excerpt above in Baseball shirts and CS XXL+) are not initialed by a manager to allow price adjustment. As a result, there is less assurance to the accuracy of pricing or the amount collected, transmitted and deposited.
- Vending manager review and approval could be improved. We noted several instances where mathematical errors and typos were made by the student workers and the Vending Manager approved the form with no additional note or changes made. Failure to confirm and when needed, correct the information documented reduces the effectiveness and value of the independent supervisory approval.
- Sales reports are not signed by the Accounting Specialist to document supervisory oversight of students and employees and the receipt of monies transmitted. Sales reports are signed by the student worker who handles the monies and closes the drawer, and signed by the Vending Manager to show agreement with the information recorded. The money and the report are then placed in the safe for the Accounting Specialist to review and deposit the next business day. The documented supervisory oversight and the documented transmission of funds provides a clear transfer of responsibilities from student employees to University staff.

### Recommendations

- A. Establish a change fund sufficient to meet the needs of all Tent Theatre productions, including weekends and require all sales be deposited timely.
- B. Require a beginning count of change funds along with a reconciliation of total monies to be completed and documented on the sales report at the close of retail each night. In addition, reliability in sales reports could be improved by simplifying reports to allow inventory levels and sales to be more accurately reflected, requiring manual changes to prices be approved by the student manager, and requiring the Accounting Specialist to sign the report to document receipt of the transmittal.



### **Management's Responses**

*Dr. Jeremy Chesman, Interim Department Head provided the following responses:*

- A. We agree with the recommendation and will increase the amounts of the change funds to cover expected weekend receipts.*
- B. We agree with the recommendation, and will work to revise our inventory reports. We will also make sure that a staff member signs the report nightly.*

### **3. Financial information and planning**

Sufficient access to pertinent financial information has not been established for those charged with responsibilities for planning and monitoring Tent Theatre. The financial statements documented at Exhibit 01 were compiled by auditors by reviewing transactions recorded in the Banner system and reorganizing the information into periods which more accurately reflect the 2017 and 2016 Tent Theatre seasons.

During our compilation, we learned the Managing Director does not have access to pertinent financial information. All financial records are processed by the Accounting Specialist through the Banner accounting system. The Managing Director does not have access to this system. Further, information is organized in Banner by University fiscal year (July-June). Tent Theatre productions begin in June (end of one fiscal year) and end in July (beginning of the next fiscal year), which causes the information held in Banner to be skewed. No reports are generated to illustrate the financial position of each Tent Theatre season, which generally runs September – August. Unaudited financial statements compiled show both 2016 and 2017 seasons resulted in losses. While sufficient carryover from previous years exist to cover these losses, losses could have been avoided with sufficient planning and monitoring of pertinent financial information.

#### **Recommendations**

Sufficient access to pertinent financial data should be obtained to plan for the upcoming season and monitor ongoing financial position throughout each production cycle.

### **Management's Responses**

*Dr. Jeremy Chesman, Interim Department Head provided the following response:*

*We will work with Financial Services to obtain financial data necessary to plan the upcoming season and monitor the financial position of Tent Theatre productions.*

## Exhibit 01 - Income Statement for 2017 & 2016 Tent Theatre Seasons

	2017 Tent Season		2016 Tent Season	
	Operating Funds	Foundation Funds	Operating Funds	Foundation Funds
<b>Revenues</b>				
Net Ticket Sales	\$ 115,569.89	\$ -	\$ 114,263.55	\$ -
Net Concession & Retail Sales	\$ 12,785.73	\$ -	\$ 9,814.71	\$ -
Ad Sales <sup>1</sup>	\$ 6,635.00		\$ 6,115.00	\$ -
Silent Auction	\$ -	\$ 4,511.00	\$ -	\$ 4,115.00
Gifts & Endowment Interest	\$ -	\$ 44,180.49	\$ -	\$ 38,504.45
	<u>\$ 134,990.62</u>	<u>\$ 48,691.49</u>	<u>\$ 130,193.26</u>	<u>\$ 42,619.45</u>
<b>Expenses</b>				
Scholarships & Fellowships	\$ 74,734.00	\$ 24,834.00	\$ 89,655.00	\$ 11,308.00
Employee Payroll & Benefits <sup>2</sup>	\$ 67,867.61	\$ -	\$ 5,118.54	\$ -
Equity Actor Payroll	\$ 58,003.49	\$ -	\$ 58,317.88	\$ -
Contract Labor <sup>2</sup>	\$ 31,369.00	\$ -	\$ 7,420.00	\$ -
Student Payroll	\$ 299.30	\$ -	\$ 2,414.20	\$ -
Production Supplies	\$ 26,934.37	\$ 45,922.70	\$ 27,312.63	\$ -
Audition Expense	\$ 21,145.60	\$ -	\$ 12,475.41	\$ -
Advertising Expense	\$ 14,105.88	\$ 1,000.00	\$ 16,764.01	\$ -
Royalties	\$ 14,893.73	\$ -	\$ 12,880.09	\$ -
Concession & Retail Supplies	\$ 8,768.33	\$ -	\$ 6,414.40	\$ -
Food	\$ 4,460.31	\$ 900.00	\$ 4,221.21	\$ 2,112.15
Other Services and Supplies	\$ 6,669.16	\$ -	\$ 9,035.71	\$ -
	<u>\$ 329,250.78</u>	<u>\$ 72,656.70</u>	<u>\$ 252,029.08</u>	<u>\$ 13,420.15</u>
<b>Transfers</b>				
Transfers in from COAL	\$ 75,000.00	\$ -	\$ 75,000.00	\$ -
Transfer in from Operating Fund	\$ 65,000.00		\$ 65,000.00	
Transfer in from Ticket Sales	\$ -	\$ 8,617.00		\$ 8,712.00
Transfer out to Operating Fund	\$ (25,000.00)	\$ -	\$ (25,000.00)	\$ -
Transfer out to COAL	\$ -		\$ (11,103.90)	\$ -
Transfer out to Endowment	\$ (8,617.00)		\$ (8,712.00)	
	<u>\$ 106,383.00</u>	<u>\$ 8,617.00</u>	<u>\$ 95,184.10</u>	<u>\$ 8,712.00</u>
<b>Net Profit(Loss) from Season Activities<sup>3</sup></b>	<u>\$ (87,877.16)</u>	<u>\$ (15,348.21)</u>	<u>\$ (26,651.72)</u>	<u>\$ 37,911.30</u>

1 2017 ad sales revenue show is based upon contracts issued and billings sent. Some of this revenue has not yet been received.

2 In 2016, most expenses related to Employee Payroll & Benefits and Contract Labor were charged to the College of Arts and Letters (COAL). In 2017, these expenses were charged to the Tent Theatre to more accurately reflect the cost of Tent Theatre productions.

3 As of July 1, 2017, Tent Theatre operating funds held \$306,790 in carryforward funds which will be used to offset the 2017 losses shown.