



***Athletic Procurement Card Transactions
And Other Expenses***

February 23, 2018

Office of Internal Audit and Compliance



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

DATE: February 23, 2018

TO: Mr. Kyle Moats, Director of Athletics

CC: Steve Foucart, Chief Financial Officer
Rachael Dockery, General Counsel
Clifton M. Smart III, University President

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

**ATHLETIC PROCUREMENT CARD TRANSACTIONS
AND OTHER EXPENSES**

BACKGROUND

During a university-wide review of procurement card transactions, several issues were noted with athletic procurement card transactions and other expenses leading to an expanded review of athletic expenses. In order to minimize the scope of our procurement card review, a separate report on Athletic Procurement Card Transactions and Other Expenses was determined to be necessary.

The purpose of the Missouri State University Procurement Card Program is to establish a more efficient, cost effective method of purchasing and paying for small-dollar transactions within established usage limits. About 12 athletic employees have been assigned procurement cards. The cards were used to purchase department supplies as well as to pay for team travel expenses. Between July 1, 2015 and December 31, 2017, charges totaling approximately \$1 million were placed on the procurement cards assigned to athletics.

OBJECTIVE AND SCOPE

The audit objectives were to review athletic expenses to ensure compliance with applicable University policies and fiscal accountability. The scope of this review included the period July 1, 2015 through December 31, 2017.

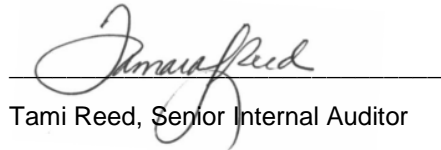
SUMMARY

The audit identifies over \$10,000 that needs to be reimbursed to the University's athletic programs for travel related expenses. The audit also makes several recommendations addressing controls, documentation and procedures related to travel expenses and procurement card purchases.

Sincerely,



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



Tami Reed, Senior Internal Auditor

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Traveling Expenses for Outside Parties

Persons outside of the University's official athletic traveling party often travel with the athletic teams to distant locations for tournaments and games. Traveling expenses associated with outside parties are sometimes incurred by the University and then reimbursed. However, our review identified over **\$9,600** that is owed to the University for traveling expenses associated with persons outside of the University.

A. Women's Volleyball Hawaii Tournament

In September 2016, the Volleyball team travelled to Honolulu, Hawaii, for the Hawaiian Airlines Wahine Volleyball Classic. The University's traveling party consisted of 27 individuals (18 student athletes and 9 employees). Charged to the University's p-card was airfare for 31 individuals (4 extra airline tickets). After a significant amount of review, it was determined that 39 boosters and family members traveled with the 27 member University traveling party. Also, some expenses (airline, hotel, etc.) were paid by the University, while other expenses were paid personally by the coach without a clear accounting/differentiation between the travelers. There was no reconciliation of all expenses paid by the University and the coach to ensure only those expenses associated with the official traveling party were paid by the University.

According to the Volleyball Coach, airline tickets and hotel rooms were purchased together in order to obtain the lowest possible price. Each booster/family member reimbursed the coach for his or her respective cost.

After review of all trip expenses, it was determined that the coach owed the University **\$2,362** for excess airline tickets and the University owed the coach \$3,047 for hotel rooms used by university staff that were charged to the coach's personal charge card. The University has reimbursed the Volleyball Coach \$3,047; however, the coach still owes the University **\$2,362**. In the future, University expenses and booster/family expenses should be kept separate. If it is desirable for a large group of booster/family members to travel with the University's traveling party, consideration should be given to using a travel agent for the individuals not associated with the University.

B. Women's Bahama Basketball Tournament

The Women's basketball team traveled to the Bahamas in November 2017 to compete in the Junkanoo Jam. The airline tickets and hotel accommodations were contracted through a third party. On July 13, 2017, the University paid \$38,175, which included **\$1,495** for a friend of one of the coaches. Seven months later, the **\$1,495** has yet to be reimbursed to the University.

If friends of University employees are going to travel with the University's traveling party to sporting events, their costs should be paid to the University at the time the University incurs the costs. It is not appropriate for the University to pay travel costs for individuals not associated with the University and wait many months for reimbursement.

C. Men's Bahama Basketball Foreign Tour

In August 2016, the men's basketball team traveled to Nassau Bahamas for a tournament. The University paid for an open food buffet costing \$3,200 for 31 individuals (\$103.23 each) the first evening at Nassau. The University's official traveling party consisted of 23 individuals (12 student athletes and 11 University employees). The remaining eight buffets were for family members of employees who went on the trip. As a result, **\$825.84** ($\103.23×8) is owed to the University for these meals.

Additionally, airline baggage charges totaling **\$225** were paid by the University for family members of University employees and should be reimbursed.

Family travel expenses are not authorized by University policy, and athletic personnel should reimburse **\$1,050.84** for their respective family members.

D. Men's Florida Basketball Tournament

In November 2017, the men's basketball team traveled to Fort Meyers, Florida for the Gulf Coast Showcase Tournament. Our review noted the following:

1. The University paid \$2,833 for flights, luggage fees and hotel costs for the family of the head basketball coach. The **\$2,833** has not yet been reimbursed to the University. Travel costs incurred by the University on behalf of employee's family members should be reimbursed at the time the University incurs the costs.
2. The hotel charged the men's basketball program **\$660** more for housing student athletes than outlined in the terms of the contract. Additionally, the travel agent overcharged the program **\$50** for their services. The **\$710** was paid by the men's basketball program; however, after Internal Audit brought the charges to the attention of the Director of Operations, he requested a refund which is pending. To prevent this from happening in the future, contract terms and billings should be reviewed in detail before payment is made.

E. National Association of Basketball Coaches Conference

Annually the National Association of Basketball Coaches (NABC) Conference is held in conjunction with the NCAA's Men's Final Four. The University paid the NABC **\$960** for the spouses of two coaches to attend during 2016 and 2017. Expenses for spouses are not allowed by University policy and should be reimbursed.

F. Men's Basketball Scrimmage

In November 2017, the men's basketball team made a trip to Columbia, Missouri, to scrimmage against the Missouri Tigers. NCAA bylaw 17.3.3.1(a) states an informal practice scrimmage with outside competition is allowable at any point during the permissible playing and practice season provided it be conducted in privacy and without publicity or official scoring. Individuals other than athletics department staff members and those necessary to conduct a basketball practice scrimmage against outside competition may not be present during such a scrimmage.

Our review of the expenses associated with this trip noted that the traveling party included four unnecessary, non-university individuals (boosters) who traveled with the team and attended the scrimmage. Upon identifying this NCAA compliance violation, Internal Audit notified the Athletic Administration who was reportedly unaware of the guests attending the scrimmage. MSU Athletic Administration made a self-report of this violation and the NCAA classified it as a Level III violation with no penalty, only requiring educational sessions with booster, head coach and other athletic staff members.

The University incurred costs totaling **\$913** for travel, hotel and food directly related to the boosters attending this scrimmage. According to athletic personnel, one of the boosters made a \$4,000 donation to the Foundation prior to attending this game. The University's Operating Fund should be reimbursed the \$913 from the Foundation to cover the costs the University paid for these boosters.

Note: Internal Audit provided a breakdown of the amount owed by each employee to the Director of Athletics.

Recommendations:

- A. Request **\$2,362** from the Volleyball Coach for reimbursement of excess airline tickets. University expenses and booster/family expenses should be kept separate. If it is desirable for a large group of booster/family members to travel with the University's traveling party, consideration should be given to using a travel agent for the individuals not associated with the University. Additionally, a timely, complete and detailed settlement of each trip should be prepared to document that the University is paying for expenses associated with only the official traveling party.
- B. Request immediate reimbursement of **\$1,495** for the guest traveler to the Bahamas. In the future, the University should be reimbursed at the time, or prior to, costs incurred.
- C. Each athletic employee traveling to the Bahamas should reimburse the University their respective portion of the **\$1,050.84** total.
- D. 1. Obtain reimbursement of the **\$2,833**.
2. Continue to work to obtain a refund of the **\$710** overpayments, and in the future review contract terms and billings in detail before payment is made.
- E. The men's basketball coaches should reimburse the University **\$960** in NABC conference expenses for their spouses.
- F. Ensure the University's Operating Fund receives reimbursement of the **\$913** from the Foundation.

Management Response

A-F. We agree with all recommendations and we are currently working toward obtaining all reimbursements as recommended.

2. Football Preseason Housing Expense

During the 2017 preseason football practice summer session, coaches and administrators made the decision to place the football student athletes in off campus apartments rather than in the University dorms. According to athletic personnel, the move was intended to save the University money; however, this decision cost the University **\$8,550**.

For 2017, 30 football student athletes and staff stayed 23 nights in off campus apartments. The apartment vendor charged the University \$475 per individual, plus a cleaning fee; while the University's standard charge for residence halls is \$15 per night per individual. The excess paid by the University is calculated as follows:

Amount paid for off-campus apartments			
30 student athletes and staff	23 nights each	\$475 per person	\$ 14,250
Cleaning charge			<u>4,650</u>
Total paid by the University			<u>\$ 18,900</u>
 Calculated costs for University residence halls			
30 student athletes and staff	23 nights each	\$15 per night	<u>\$ 10,350</u>
 Additional amount paid for off-campus apartments			<u>\$ 8,550</u>

The decision to place the football student athletes and staff in an off-campus apartment for preseason practice resulted in the University paying \$8,550 more, as well as taking the money off campus leaving empty dorms rooms.

Recommendation:

In the future, a cost analysis for housing should be performed. In a situation with equal or similar costs, preference given to on-campus living in order to keep funds on campus.

Management Response

We agree and plan to use on-campus housing in the future.

3. Men's Basketball Meals Paid in Excess of Policy Maximums

The men's basketball program uses various payment methods (check, p-card, cash advance and employee travel expense reimbursements) to pay meal expenses for the coaches and staff when traveling. Although the men's basketball program has developed a travel log to track breakfast, lunch and dinner costs for employees, this log is not always used. As a result, the men's basketball personnel regularly exceed the meal maximums established by University policy.

For example, on the first day the men were in the Bahamas to play basketball, the Director of Operations gave each employee \$20 cash for breakfast and then paid restaurants \$14 for each employee's lunch and \$103 for each employee's supper for a total of \$137 in meal costs for the day for each employee. This exceeds the University's daily maximum meal allowance of \$57 per employee. Additionally, the \$20 cash given to employees for breakfast exceeds the University's \$10 policy limit for an undocumented cash meal.

When traveling the men's basketball program also often selects higher priced restaurants for meals. For example, choosing Ruth's Chris Steakhouse for dinner on a recent trip to Florida cost over the \$57 daily limit per person for just one meal. Choosing more reasonably priced restaurants and tracking meal costs on the men's basketball travel log will help ensure University policy limits are not violated.

During the recent trips to the Bahamas and Florida, cash given to employees for undocumented meals exceeded the University's policy limit by a total of \$720 for all employees. The Director of Athletics should consider requesting reimbursement of the \$720 in excess cash payments given to employees for meals.

Recommendation:

Athletic personnel for the men's basketball program need to stay within the established University policy limits for meal allowances by choosing more reasonably priced restaurants and tracking meal costs on the men's basketball travel log. Additionally, considerations should be given to requesting reimbursement of the **\$720** in excess cash payments given to employees for meals.

Management Response:

We agree and will request reimbursement of the excess cash meal payments from applicable personnel.

4. Procurement Card Procedures

Procurement card policy violations were observed in some areas.

- A. Sales taxes were paid on several purchases. According to the procurement card policy, the cardholder is responsible for ensuring sales tax is not included in each charge. If sales tax is

included, then the cardholder must request reimbursement from the vendor. The cardholder will be required to reimburse the University for any such sales tax charged that is not reimbursed by the vendor.

For example, we noted \$202 in sales taxes paid on several purchases of men's basketball shoes ordered online from Adidas. Additionally, during the two fiscal years ended June 30, 2017, sales tax totaling \$84 was paid on p-card purchases for women's basketball. According to University policy, action should be taken to obtain reimbursement for the University.

- B. Instances were noted where an athletic employee's p-card was used by a co-worker. The procurement card policy states that the cardholder should never allow another employee to use the card. For example, a purchase of women's basketball equipment (\$240) and men's basketball supplies (\$100) included signatures on the charge slip by an employee other than the cardholder.
- C. Receipt imaging was not available for all purchases. The procurement card policy states receipt imaging is required for all travel, food and many other type purchases. Several instances were noted where the invoices for airline tickets and hotel rooms were not scanned into the p-card system to document these purchases. Internal audit requested documentation for all unscanned invoices and most documentation was received.
- D. According to the procurement card manual, all purchases and deliveries for the Springfield campus should use 901 S National Ave as the street address to ensure items are delivered to University receiving dock and delivered to the appropriate department. Some items were shipped to the cardholder's personal address. For example, an external hard drive and HDMI cables purchased from Amazon were shipped to an employee's home. While the employee explained the items were shipped to a personal residence to allow for weekend delivery, the campus address should be the delivery address as set forth in the procurement card manual.

Recommendations:

- A. Request reimbursement for the sales taxes paid by the University on p-card purchases. In the future appropriate steps should be taken to avoid the payment of all sales taxes.
- B. Athletic p-card holders should not allow other employees to use their assigned p-cards.
- C. Scan documentation into the p-card system as required.
- D. Use the campus address for all deliveries.

Management Response:

- A. *Sales taxes were incurred on some Adidas purchases because the items needed were not available through our contracted account and had to be obtained through Adidas.com. We will attempt to obtain a refund of sales taxes and work to avoid being charged for sales taxes in the future.*

B-D. We agree with these recommendations.

5. Miscellaneous Expenses and Reimbursements

- A. Two assistant men's basketball coaches routinely obtained reimbursement for meals outside of the time they were in travel status. Several examples were noted where the coaches' flight would leave Springfield in the afternoon hours but \$10 was requested for breakfast. In addition, instances were identified where a coach would be away for only a day trip, but request and receive reimbursement for meals. Personal meals at the claimant's official domicile or during single day trips are not reimbursable by the University as they would be taxable to the employee under IRS guidelines.

Between July 2016 and September 2017 these two coaches were reimbursed \$253 for unallowed meals and should refund this amount to the University.

- B. An assistant men's basketball coach requested and received reimbursement for \$203 for a hotel room and \$26 for a rental car that was paid for by the University's p-card. Additionally, unallowable mileage was claimed at a time when a rental car was being used, totaling \$21. In total this coach owes the University \$250 for these duplicate expense reimbursements.
- C. Some temporary housing costs for a men's basketball assistant coach was not reported as taxable income and was not included in the employment contract. The University paid \$1,511 to a Springfield hotel for temporary housing until the coach secured a permanent residence. The \$1,511 was paid in three payments with three different payment methods resulting in the total paid not being accurately reported as taxable income. First, \$263 was paid with the business manager's personal credit card and reimbursed by the University. Second, \$208 was paid with a University p-card, and lastly \$1,040 was paid with the assistant coach's personal credit card and reimbursed by the University. Only \$263 was included as a taxable benefit on the coach's W-2.

Temporary housing payments beyond one night are a taxable benefit. Using a single payment method for this expense may have helped to ensure all these payments were provided to the University's payroll department for tax purposes. Additionally, temporary housing terms should be included in coaching contracts when applicable.

- D. Routinely the university's athletic budget spends money on activities that are related to the Missouri State Foundation. The Foundation is to reimburse the athletic budget for these expenses; however, some instances were identified where reimbursement was not made. For example, \$833 was paid for awards for a men's basketball boosters All-Decade team. Another example includes \$1,896 paid for travel expenses for 13 donors to attend a Women's Basketball Hall of Fame event. In total we noted approximately \$3,600 for miscellaneous expenses that should be reimbursed to the athletic budget by the Foundation.

Recommendations:

- A. Request reimbursement of \$253 for unallowable meals. In the future, ensure coaching staff understands that meals within an employee's domicile and during single day trips are not reimbursable by the University.
- B. Request reimbursement of \$250 for duplicate expenses.
- C. Ensure all temporary housing payments are provided to the University's payroll department for tax purposes. Using a single payment method for this expense may help facilitate compliance in this area. Additionally, ensure temporary housing benefit terms are included in employment contracts.
- D. Transfer \$3,600 from Foundation Funds to the University's athletic budget.

Management Response

A-B. We agree and will request reimbursement of the amounts recommended.

C. We agree and will work to ensure temporary housing payments are properly taxed in the future. Temporary housing benefits are a routine part of most coach's contracts. This was an oversight for this particular coach.

D. We agree and will transfer \$3,600 from Foundation Funds.