



Review of Income Funds

May 16, 2018

Office of Internal Audit and Compliance



Missouri State
UNIVERSITY

DATE: May 16, 2018

TO: Stephen Foucart, Chief Financial Officer

CC: Dr. Frank A. Einhellig, Provost
Clifton M. Smart III, University President

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

REVIEW OF INCOME FUNDS

BACKGROUND

Within the University's accounting system are Income Funds also referred to a B Funds. These funds are often used for a revenue generating activity and are generally not included in the University's operating budget. At June 30, 2017, the University had a balance of approximately \$7.8 million in B Funds. While Financial Services track B Funds in the University's accounting system, various academic and administrative personnel outside of Financial Services manage these funds. With decreasing University resources, this review was performed to determine if there are monies in the B Funds that are not being utilized and may be available for other University operations.

OBJECTIVE AND SCOPE

The objectives were to review the University's B Funds to determine if there are monies not being utilized and available for other University operations. The scope included the years ended June 30, 2016 and 2017.

SUMMARY

Our review identified over \$310,000 in University B Funds that has not been utilized for many years. We recommend the Chief Financial Officer consult with the University President and Provost regarding the transfer of these monies to help fund current operations. Additionally, numerous B Funds with zero balances are active in the accounting system and should be inactivated.

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

Jane Dewberry, Senior Internal Auditor
Audit Field Work Completed: April 24, 2018

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Inactive Funds

- A. Our review identified 46 Funds with a combined cash balance of \$310,945 at June 30, 2017 that have had no activity for at least two years, some much longer. A breakdown of this balance by area of the University is as follows:

Inactive Funds by Area of the University At June 30, 2017

Area	Amount
Administration	\$ 65,508
College of Agriculture	3,869
College of Arts and Letters	2,600
College of Business	140,667
College of Education	9,733
College of Health and Human Services	67,726
College of Humanities and Public Affairs	14,741
College of Natural and Applied Sciences	3,853
Provost	<u>2,248</u>
Total	\$ <u><u>310,945</u></u>

Examples include the College of Business China Campus B Fund (\$129,540) last used in 2010; the Spirit Groups B Fund (\$24,599) last used in 2012; the Procurement Overstock B Fund (\$15,743) last used in 2009; and the September 2008 Computer Day B Fund (\$3,126). Additionally, the College of Humanities and Public Affairs has a Fund with a balance of \$11,250 that has not been used since 2013 which appears to have been established to fund a professorship. While the professorship has continued each year with funding from another source, it appears college administrators may have forgotten this money was available.

Given that these monies have not been utilized for many years, the monies should be transferred to help fund current operations. After these monies are transferred, these funds should be closed.

- B. Our review also identified numerous funds with zero balances and no recent activity that were still active within the accounting system. The University's Banner accounting system allows a fund to be identified as active or inactive. By changing a fund that is no longer being used to inactive status, no activity can be posted to the fund unintentionally. Our review identified approximately 50 B Funds with zero balances that have not been inactivated.

Recommendations

- A. We recommend Financial Services provide a list of the inactive funds with balances totaling \$310,945 to the University President and the Provost and determine where to transfer these monies to help finance current operations. Once the monies are transferred, the funds should be inactivated.

- B. We recommend Financial Services review the active B Funds with zero balances and inactivate the funds no longer used.

Management's Responses

The Chief Financial Officer provided the following responses:

- A. *Financial Services has reviewed the balances with the President and the Provost. With the exception of two funds totaling \$26,424, which will remain active B Funds, the remaining funds will be transferred to the corresponding Operating fund's carryforward reserve.*
- B. *All zero/inactive funds will be closed out.*