



Greenwood Laboratory School

College of Education

August 3, 2020

Office of Internal Audit and Risk Management



Missouri State[™]

U N I V E R S I T Y

DATE: August 3, 2020

TO: Dr. Janice R. Duncan, Director

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

FROM: Donna Christian, Director of Internal Audit and Risk Management
Natalie B. McNish, Senior Internal Auditor

Greenwood Laboratory School

BACKGROUND

In September 2016 the Office of Internal Audit and Risk Management issued a report of the Greenwood Laboratory School that included 16 recommendations for improvement. In May 2018, the Office of Internal Audit and Risk Management issued an Audit Follow-Up report that concluded 5 of these recommendations were implemented, 6 were in-progress, and 5 were not implemented. At the presentation of this Audit Follow-Up report, the Board of Governors tasked the Greenwood Laboratory School administration with swift and deliberate action to correct the 11 outstanding recommendations and asked the Director of Internal Audit to verbally report back on the school's progress within 60 days. In July 2018, the Director reported 6 of the 11 outstanding recommendations had been implemented and the other 5 outstanding recommendations were in-progress.

To ensure the changes made would have lasting impact, this review was performed. Four specific risk areas included in the September 2016 report were selected to review during this follow up. The risk areas include Financial Condition, Scholarships, Cash Controls & Basketball Tournaments.

OBJECTIVE AND SCOPE

The objectives were to review Greenwood Laboratory School's continued implementation of recommendations regarding financial condition, scholarships, cash controls and basketball tournaments. The scope included, but was not necessarily limited to, the year ended June 30, 2020.

SUMMARY

This report concludes that out of the four areas reviewed (financial condition, scholarships, cash controls, and basketball tournaments) two areas continue to need improvement.

- Greenwood Laboratory School has significantly improved their financial condition during the last four years. The school's combined fund balance has gone from a negative -\$52,428 at June 30, 2016 to a positive combined fund balance of \$847,471.
- More work is needed to improve the school's scholarship policies and document the scholarship award process.
- Controls over cash receipts continue to be lacking. University policy regarding receipting procedures and duty segregation are not followed.
- Prior recommendations regarding the Blue and Gold and Pink and White basketball tournaments have been implemented.



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Audit Field Work Completed: June 30, 2020

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Financial Condition

The September 2016 review reported that Greenwood Laboratory School was operating with a deficit fund balance. To eliminate the deficit, the school needed to reduce the number of funds to a manageable level, prepare budgets for all fund and review the tuition and fee structure annually.

Since September 2016 significant improvement has been made in managing the school's financial condition. The combined fund balance has increased from a negative -\$52,428 at June 30, 2016 to a positive combined fund balance of \$847,471 at June 30, 2020. Comparative financial statements are included at the end of this report.

2. Scholarships

The September 2016 report identified several weaknesses with the scholarship process. Most notably was the lack of written policies, documentation of the selection process and a scholarship review committee. In our May 2018 follow up review, school administrators had failed to implement this recommendation. By July 2018, a scholarship committee was formed, and some written guidelines were prepared; however, full implementation of this recommendation had not been completed.

Our current review showed that work is still needed to improve the school's scholarship process. The written guidelines in place were not always followed with respect to documenting the financial need of the scholarship applicant. Also, school administration should consult with legal counsel regarding the content and wording of appropriate scholarship policies. Further, meetings and decisions of the scholarship committee were not documented to show the scholarship selection process. As a result, it is not clear why the various scholarship awards were made.

Recommendation

To improve the scholarship process, school administrators should consult with legal counsel to formulate scholarship policies, follow those policies, and document the meetings and selection process of scholarship recipients.

Management's Response

The Director has attempted to add this to her duties and has been unsuccessful in addressing the many concerns. Therefore, this responsibility will be transferred to a Scholarship Supervisor (SS) who will receive a stipend for doing the following:

- A. Obtain the guideline for diversity and financial scholarships from the university and use them as a model to rewrite the Greenwood guidelines.
- B. After the guidelines have been reviewed by legal counsel a step by step checklist to evaluate each applicant's eligibility for financial support will be used to ensure consistent and fair review of each applicant's information.
- C. A review committee of consisting of elementary and secondary counselors, a Greenwood administrator, a University representative will meet with the SS acting as chair of the committee.
- D. All materials reviewed will have personal identification redacted for the review.
- E. The review committee's determination ruling for each applicant will be attached to their application and kept for later audit review.
- F. A deadline for receiving financial support will be determined and posted included on the Greenwood web site under the "Admission" tab.
- G. Applicants will be notified of the amount of Scholarship awarded with instruction of the appeal process (if advised by Legal Counsel to do so).

The step-by-step process with written documentation should eliminate the previous concerns.

3. Cash Controls

The September 2016 report noted that University policy was not followed with respect to cash controls and segregation of duties. Our May 2018 follow up reported that although storefronts were implemented allowing online payments to be made for some areas of cash collection, cash control issues continued to exist when monies were collected at the administrative office.

As of July 2018, the employee responsible for receiving and depositing funds was terminated, and a temporary employee was hired for the summer months. This employee received training from Financial Services and Internal Audit, and the accountability of receipts and deposits improved. However, this employee was only temporary and is no longer working at the school.

To determine if adequate cash controls were currently in place, Internal Audit traced all deposits made at the Bursar's Office from January 1 through May 31, 2020, to receipts issued by the Greenwood administrative office. The following was noted:

- A total of \$39,053 was deposited with the Bursar's office during this period; however, only \$13,340 of these monies were received by the Greenwood administrative office. Of the \$25,713 not received, \$4,251 was cash.
- Monies are still not always deposited timely. While improvement is noted, many receipts were held between 4 and 7 days without depositing. During the COVID-19 shutdown period, this delay increased to between 7 and 34 days.
- All copies of voided receipt slips are not retained in the receipt book.
- Accounting duties are not always adequately segregated. Some monies are receipted, deposited and recorded by one employee without supervisory oversight.

Recommendation

Follow University policy by issuing receipts for all monies, depositing timely, retaining copies of voided receipt slips, and segregating accounting duties.

Management's Response

The actual cash deposited of over \$4000 was primarily from the sell of tickets at sporting events. Not wanting to do receipts for individual \$3.00 ticket sales, no receipt was made at all. If acceptable, the gate keeper will count the money at the end of the game and leave a note in the box. The financial clerk will count the money and reconcile it with what the gatekeeper indicated. A receipt slip will be given to the gate keeper. The remainder of the unaccounted-for deposits were due to larger checks left in the clerks mailbox by PTA and other booster clubs. A receipt should have been made and the clerk has been advised of this verbally and in writing.

Untimely deposits when school was in-session was due to the financial clerk working part time with some days not working at all. No other staff member was appointed to make deposits in her place. Another person will be appointed to do this, and deposits will be made within one or two days.

Written instructions will be added to the receipt book indicating how to handle voided receipts. The financial clerk has been informed not to make receipts to segregate her duties. An administrator will assume closer supervision of the receipts and deposit reconciliation.

4. Basketball Tournaments

Our September 2016 report noted several concerns with Greenwood's procedures related to the Blue and Gold and Pink and White Basketball Tournaments. Most significantly, we reported:

- The facility fee charged on tickets for the Blue and Gold Tournament did not agree with the University's Board approved fee schedule,
- Ticket sales for the Blue and Gold Tournament were not properly classified as taxable revenue for the payment of sales taxes,
- Income and expenses for the Pink and White Tournament were not settled with Springfield Public Schools in a timely manner,
- The Pink and White tournament had a net loss, and
- Duties involving the financial monitoring of both tournaments were not adequately segregated.

Significant steps have been taken to resolve the issues noted above. The 2019 fee schedule approved by the Board of Governors included the facility fee charged on tickets for the Blue and Gold Tournament. Additionally, ticket sales for this tournament are properly classified for sales tax purposes.

The timeliness of the settlement of income and expenses with Springfield Public Schools for the Pink and White Tournament has improved. The proceeds from the December 2019 tournament were deposited March 6, 2020. Additionally, this tournament profited approximately \$7,200.

Finally, Greenwood's Assistant Director provides oversight of tournament personnel to improve financial monitoring and duty segregation.

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

	2016	2017	2018	2019	2020
Revenues:					
Tuition and Fees	\$ 2,291,455	\$ 2,544,038	\$ 2,642,328	\$ 2,720,728	\$ 2,782,366
Scholarships	(2,000)	(36,475)	(34,364)	(34,800)	(45,750)
Basketball Tournaments	164,554	173,838	164,877	120,903	116,395
Other	16,276	10,804	13,394	15,264	15,243
Contributions from Foundation	21,575	69,956	-	22,081	24,000
Total Revenue	<u>\$ 2,491,860</u>	<u>\$ 2,762,161</u>	<u>\$ 2,786,235</u>	<u>\$ 2,844,176</u>	<u>\$ 2,892,254</u>
Expenses:					
Payroll	\$ 2,046,593	\$ 2,156,574	\$ 2,215,867	\$ 2,255,895	\$ 2,311,998
Travel	71,394	120,490	50,465	63,947	46,578
Supplies	115,002	95,850	153,242	152,483	126,959
Services	112,317	148,660	137,664	180,767	139,171
Other	3,365	11,397	8,493	24,246	17,247
Bad Debt	39,947	-	-	-	-
Total Expenses	<u>\$ 2,388,619</u>	<u>\$ 2,532,971</u>	<u>\$ 2,565,733</u>	<u>\$ 2,677,338</u>	<u>\$ 2,641,953</u>
Revenue over/(under) Expenses	103,241	229,190	220,503	166,837	250,301
Interfund/University Transfers Adjustment	350	(56,213) 55,013	-	3,000	(4,137)
Beginning Balance July 1,	<u>(156,019)</u>	<u>(52,428)</u>	<u>175,561</u>	<u>396,064</u>	<u>565,901</u>
Ending Balance June 30,	<u>\$ (52,428)</u>	<u>\$ 175,561</u>	<u>\$ 396,064</u>	<u>\$ 565,901</u>	<u>\$ 812,064</u>