



**Missouri  
State**<sup>®</sup>  
UNIVERSITY

# **Audit Follow-Up Report**

February 17, 2021

Report No. 167-21

Office of Internal Audit & Risk Management

# Table of Contents

---

<b>Management Letter</b>	1
<b>Center City Counseling Clinic</b>	
1. Use of Center City Counseling Clinic for Private Practice	3
2. Accounting Records and Controls	3
<b>Review of the University's Food Service Contract</b>	
1. Contract Document	5
2. Guaranteed Commission Calculation	6
3. Retail Food Vendors	6
4. Dining Services	7
5. Catering Services	8
6. Other Contract Compliance Issues	9
<b>Review of Event Revenue of JQH Arena and Juanita K. Hammons Hall for the Performing Arts</b>	
1. Financial Activity for Entertainment Events	10
2. JQH/JKHH Operating Fund Budget	10
3. Facility and Handling Fees	11
4. Parking Fees	11
5. Merchandise Sales at Events	12
6. Sales Tax	12
7. Nonresident Entertainers Tax	12
8. Disbursement Controls	13
9. Cash and Other Accounting Controls	14
<b>Carrie's Café Cash Handling Procedures</b>	
1. Recording and Depositing	15
2. Expenditures	15
3. Record Retention	15
4. Sales Tax	15
5. Change Fund	15
<b>Review of the University's Exclusive Beverage Rights Contract</b>	
1. Beverage Vending Machine Commissions	16
2. Growth Incentive Payments	17
3. Marketing and Other Funds to be Spent by Mutual Consent	17



# Missouri State<sup>™</sup>

U N I V E R S I T Y

**DATE:** February 17, 2021

**TO:** Robin Farris, Director for Center City Counseling Clinic  
Dr. Reesha M. Adamson, Interim Department Head, Counseling Leadership and Special Education  
Dr. Dee Siscoe, Vice President for Student Affairs  
Terry Weber, Director, Plaster Student Union  
Gary Stewart, Director, Residence Life, Housing and Dining Services  
Keith Boaz, Senior Associate Athletic Director, Athletics and Entertainment  
Wajeana G. White, Instructor  
Kyle Moats, Director of Athletics  
Steve Foucart, Chief Financial Officer

**CC:** Dr. Barri E. Tinkler, Interim Dean, College of Education  
Dr. Stephanie G. Hein, Department Head, Hospitality Leadership  
Dr. Tamera S. Jahnke, Dean, College of Natural and Applied Sciences  
Dr. Frank A. Einhellig, Provost  
Rachael Dockery, General Counsel  
Clifton M. Smart III, University President

**FROM:** Natalie B. McNish, Interim Director, Internal Audit and Risk Management

## Audit Follow-Up Report

### BACKGROUND

The Office of Internal Audit and Risk Management has completed review procedures to follow up on five audit reports issued between October 4, 2018 and June 20, 2019, to formally report on actions taken by University management in response to audit recommendations.

We interviewed responsible parties and when applicable, requested documentation to determine and support the status of each recommendation. The title and date issued for each of the five audit reports is listed along with a summary of each finding, the recommendation, and the status of the recommendation. The status is classified as one of the following:

**Implemented:** Management fully implemented the recommendation, either as originally described in the audit report or in a manner that resolved the issue.

**In Progress:** Management has begun to implement the recommendation and intends to complete the implementation process.

**Not Implemented:** Management has not taken action to implement the recommendation.

## SUMMARY

These five audit reports included 38 recommendations of which 30 recommendations have been implemented and 8 recommendations are in progress of implementation. The Office of Internal Audit and Risk Management applauds University management on the action taken to address each recommendation.



---

Natalie B. McNish, CFE, CGAP  
Interim Director  
Office of Internal Audit and Risk Management

Audit Field Work Completed: February 1, 2021

# Summaries, Recommendations and Statuses

## Center City Counseling Clinic October 4, 2018

The Center City Counseling Clinic is located in the Park Central Office Building in downtown Springfield, and provides counseling services for adults, teens, young children, and couples. The Clinic was established more than 20 years ago, and operates through the Department of Counseling Leadership and Special Education within the College of Education. The Clinic allows graduate students an opportunity to work in a real world setting while providing professional services to low income residents.

When the campus shut down in March 2020, the Clinic worked to transition to telehealth. New applications, software, processes and trainings were facilitated to ensure HIPAA compliance and client care expectations were met during the extended Spring Break and then the Clinic reopened in April 2020. During this transition, a decision was made to temporarily waive all fees for service until in-person care could be re-established. The Clinic transitioned back to in-person care on August 17, 2020, but maintained the telehealth option for clients who were not comfortable or unable to meet in a face-to-face setting. Currently, the Director estimates 95% of clients are utilizing the in-person counseling option while 5% have chosen to utilize the telehealth model.

### 1. Use of Center City Counseling Clinic For Private Practice

A 2008 contract between the University and the Counseling Director (an MSU employee) allows the Director limited use of the University's clinic for her private practice. Our review noted increased management oversight was necessary regarding the approval of additional private practice hours and filing of monthly reports. Further, contract terms needed to be updated to require the Board of Governors be named as an insured party on the required malpractice policy and the contract should be on file with both the College of Education and Human Resources Office.

#### **Recommendation:**

Improve management oversight of contract terms by ensuring extra private practice sessions are preapproved and the monthly report is reviewed and compared to fees paid to the University. Additionally, consult with the University's General Counsel to update contract terms to ensure the University is adequately protected with malpractice insurance. Finally, a copy of the contract should be on file with the College of Education and in the Director's personnel file with the Office of Human Resources.

#### **Status:**

**Implemented** – A revised contract was developed and approved by the Director, former Department Head, and General Counsel in November 2018. The new contract allows increased private practice usage and therefore, no additional "preapproval" was necessary within the time period of this review. A copy of the contract is on file with both the College of Education and the Office of Human Resources. General Counsel has reviewed the malpractice policy and confirmed sufficient indemnification exists. A report of hours worked, report of private clients served, and necessary financial data is submitted to the Department Administrative Assistant each month. This information is reviewed for compliance and filed.

### 2. Accounting Records and Controls

A. Streamlining the accounting records could save time and reduce errors. Duplicative and cumbersome documentation was noted to cause minor errors when comparing records.

- B. Money received should be deposited more timely. The University's Operating Policy 8.04 Cash Handling Procedures states that cash collected (over \$50) must be deposited at the Bursar's Office within one business day after collection/receipt.
- C. The audit noted clients sometimes pay an amount other than the amount stated on their payment agreement. To ensure amounts paid are accurate, receipt records should be compared to client payment agreements and any differences should be documented either by obtaining a new payment agreement signed by the client or a documented explanation of the difference by the Clinic Director.
- D. Duties are not adequately segregated. The Graduate Assistants collect payments from clients, issue receipt slips and post payments to the accounting records. University Operating Policy 8.04 requires a separation of duties between the person receiving the cash and the person responsible for maintaining the accounting records.

**Recommendations:**

- A. Consider streamlining accounting records to save time, prevent duplication, and avoid discrepancies between records.
- B. Ensure deposits are made on a timely basis in compliance with University policy.
- C. Ensure amounts paid by clients agree to client payment agreements. Any differences should be documented and explained.
- D. Establish adequate segregation of duties in compliance with University policy and ensure receipt records and accounting records are reviewed by the Clinic Director.

**Status:**

- A. **Implemented** - The Clinic has developed a single Clinic-Client Attendance/Fee Record. This document contains all necessary information for collection of fees in compliance with the agreement and reduces the duplication of effort seen during the audit.
- B. **In Progress** – The Clinic does not deposit monies received in compliance with policy. The Clinic had increased the frequency of deposits prior to COVID; however, the frequency reduced at the start of the pandemic. The Director plans to make a more concerted effort to ensure deposits are made in compliance with University policy.
- C. **Implemented** – The Clinic has documented the contractual fee on the Clinic-Client Attendance/Fee Record. Any deviation from this fee is noted on that record and initialed by the deciding party. These records are reviewed by the Clinic Director the following day.
- D. **Implemented** – The Clinic-Client Attendance/Fee Record and receipting process is completed by Graduate students working at the clinic. A review of those records and deposit of monies received is completed by the Director. Further oversight is provided by the Department who receives detailed financial records each month as well.

---

**Review of the University's Food Service Contract  
December 13, 2018**

On May 16, 2011, the University entered into a contract with Compass Group USA, Inc., by and through its Chartwells Division (here on referred to as Chartwells) to provide food services including retail vendor services, dining services, and catering services for meetings and events. In exchange for the exclusivity of

the arrangement, the University receives commission based upon gross sales. Chartwells also reimburses the University for utilities, trash and composting, specified custodial and event management personnel expenses, additional cleaning as incurred, and provides 10 free meal plans used for residence life employees.

Without any contractual requirement, Chartwells also donates various goods/services and contributes monies to various scholarships and other University projects, including \$80,000 to the Pummill Hall renovation. In addition, Chartwells recruits talent for their Manager In Training (MIT) program on the Springfield campus, sponsors the Spring and Fall Hospitality Career Fairs, and employs numerous Missouri State graduate and undergraduate students on campus.

In March 2020, when the campus closed in response to the pandemic, all retail vendors, event services, and most dining services ceased. As students, faculty and staff began returning to campus in June, Chartwells worked to function within the safety parameters set by the University and went above and beyond in the fall semester to package meals in a carry out fashion and even deliver to those in quarantine and isolation.

## **1. Contract Document**

The original contract document was incomplete, contradictory, and unclear. As a result, contract monitoring was incredibly difficult and sometimes impossible. The original contract document was composed of the RFP (including amendment), the Chartwells proposal (with amendment), various e-mails between University and Chartwells personnel and other presentation materials documenting contract negotiation. The total size of the original contract is 347 pages. At the time of the audit, the contract had been amended 11 times and was more than 400 pages in length.

### **Recommendation:**

Going forward, the University's Procurement Office should work with the University's General Counsel to clarify the terms and conditions of this contract either through amendments to the existing contract or creating an amended and restated contract. Additionally, the University's Procurement Office should reconsider using RFP and related documents as the official contract when significant negotiations take place during the proposal process.

### **Status:**

**Implemented** – Since the audit was completed, 3 additional contract documents have been added to this agreement and a fourth was set aside. In February 2019, amendment 12 was issued outlining the terms of the new residence hall, capital improvement investments, new retail venue expense obligations, and collection of various fees and reimbursements. This amendment further waives rights to seek reimbursement of unpaid commission and custodial expenses identified in the audit report (See findings 2 and 4.B.).

In January 2020, Chartwell's legal counsel provided an Amended and Restated Agreement to the Associate General Counsel for review. Review and negotiation of this amended and restated agreement began in February 2020 and was suspended by the pandemic. Ultimately, it was determined to be in the best interest of both parties to leave the original contract unchanged and ensure amendments entered henceforth were clear as to the expectations of both parties.

In April 2020, a Memorandum of Agreement was signed in response to the pandemic situation and closure of Chartwells operations. The agreement allows a newly negotiated commission to be paid in installments and waives responsibility for utility, custodial, employee, and other expense reimbursement through July 2020.

In December 2020, a second Memorandum of Agreement was signed also in response to the pandemic situation. In this agreement, the University agreed to compensate Chartwells for increased costs associated with COVID-19 mitigation efforts including procured personal protective equipment,

increased sanitation efforts, paper supplies required for contactless food service and facility improvements. In addition, Chartwells agreed to invest \$150,000 in the Holland House Residence Hall.

The University's Procurement Office still utilizes the RFP and related documentation to form the contract, which in most cases allows for clear communication of expectations. The Office would consider using another contractual form if another large negotiation created a similar issue as noted in the Chartwell's audit, but this has not been experienced since the audit was released.

## **2. Guaranteed Commission Calculation**

The University had not developed procedures to calculate total commissions earned or to adequately review the accuracy of commission calculations prepared by Chartwells. As reported in Findings 3, 4 and 5 below, procedures used by University departments to track sales used to calculate commissions range from insufficient to non-existent. In addition, the contract document is not clear with regard to the calculation of guaranteed commissions. As a result, the University was underpaid by at least \$33,943 in commissions through May 31, 2018.

### **Recommendation:**

The CFO and the Vice-President of Student Affairs should work together to ensure procedures are developed to calculate commissions and ensure Chartwells pays the correct amount to the University. Additionally, consider including language in future contract amendments to clarify the method in which guaranteed commissions and calculated commissions are to be compared, and to clarify the annual period used to calculate commissions.

### **Status:**

**In Progress** – Calculation of guaranteed commission was clarified and the annual period (October-September) used was established in contract amendment 10. Procedures to internally reconcile annual commissions were developed and performed for the 2018-19 and 2019-20 years. A meeting between Chartwells and University personnel to review and confirm this reconciliation was to be set in spring 2020; however, the pandemic halted these communications as both parties addressed the more emergent factors of serving students in the COVID environment. The Director of Plaster Student Union plans to continue monitoring the situation and work to implement the remaining portion of this recommendation as soon as possible.

## **3. Retail Food Vendors**

Procedures to monitor sales of retail food vendors were not adequate. The contract with Chartwells provides for the University to receive commissions from the sales of the 12 retail food vendors Chartwells operates on campus. Combined, these locations provide approximately 50 percent of total commission revenue earned. The contract also provides for the University to receive a two percent Common Area Maintenance (CAM) fee on sales from the vendors in Plaster Student Union.

### **Recommendation:**

The Associate Vice President for Student Life/Dean of Students should obtain access to the Blackboard cashiering system for necessary employees and develop procedures to reconcile the Chartwells prepared spreadsheet to available information from the cashiering system and Tapingo reports each month. Discrepancies identified should be reviewed with Chartwells and documentation supporting any adjustment should be required. Once accurate sales amounts are determined, commissions and CAM fees should be calculated.

### **Status:**

**Implemented** – Access to the Blackboard cashiering system was obtained and procedures to reconcile retail sales from all sources have been developed and are completed on a monthly basis. Discrepancies



are identified and University staff work with Chartwell's to determine the cause of those discrepancies before calculating commissions and CAM.

#### **4. Dining Services**

##### **A. Commissions**

The University had not established procedures to track sales of voluntary meal plans, camps and conference meal services, Greenwood Laboratory School meals, or cash/credit meals at dining halls. These sales must be accumulated in order to calculate commissions in accordance with contract terms.

##### **B. Custodial Services Reimbursement**

The University had not increased the amount billed to Chartwells for custodial services by the Consumer Price Index as stated in the contract terms. As a result, the University had not billed/received \$28,615 in contractual reimbursement between June 1, 2012 and May 31, 2018.

##### **C. Invoice Reconciliation**

Meal plan invoices were not reconciled to reports of meal plan participants and contractual meal pricing to ensure invoice accuracy and contractual compliance. As a result, the University could not ensure all invoices paid were accurate or all complementary meal plan benefits were received. Meal plan invoices paid total approximately \$9 million annually.

#### **Recommendations:**

- A.** Establish procedures to determine gross sales of voluntary meals plans, camps and conference meal services, Greenwood meals and cash/credit sales at dining halls to calculate commissions owed to the University.
- B.** Establish procedures to recalculate the required reimbursement for custodial services each June and bill Chartwells accordingly. In addition, the University should seek reimbursement for the \$28,615 unbilled cost.
- C.** Reconcile meal plan invoices to meal plan participants, contractual prices, and complementary requirements to ensure accuracy before approving invoices for payment.

#### **Status:**

- A. In Progress** – Since the audit, Residence Life has worked to develop procedures to better account for and track meal plans for camps and conferences. The processes utilized now allow a clear understanding of the total number of meal plans sold and meals provided. Residence Life already had reporting capability for voluntary meal plans, but is now reconciling the plan usage to invoices (see finding C), which allows greater confidence in the calculation of gross sales. However, Residence Life has not been able to identify reports that will provide information for Greenwood meals or cash/credit sales at dining halls. Without these last pieces of information, gross sales cannot be determined for the calculation of commissions. Residence Life plans to continue working with Information Technology to gain access and understanding of the data captured by the Blackboard cashiering system and eventually, be able to reconcile sales with Chartwells as recommended.
- B. Implemented** – The University waived the \$28,615 unbilled custodial costs in February 2019 with the signing of contract amendment 12. The University adjusted the fiscal year 2019 billing amount for CPI as required by the contract; however, no adjustment was made for fiscal year 2020. This was the result of turnover. The issue has been addressed and will be corrected on the next invoice.

- C. **Implemented** – The University now reconciles the weekly board bill to the available information to ensure accuracy before approving invoices for payment.

## 5. Catering Services

### A. Commissions

The University had not established procedures to track sales from catering services. The contract with Chartwells provides for the University to receive a 15 percent commission on catering sales. These sales provide approximately 20 percent of total commission earned each year.

### B. Pricing and Selection of Menu Items

The University had not developed procedures to review, approve, or monitor the pricing or selection of catering menu items. According to Part Two, Section 3.5.1 of the contract, catering prices must be competitive, and the Vice President for Student Affairs and/or his or her designee will approve pricing. A review or approval of catering pricing has not been completed since the inception of the contract. As a result, University management was unaware of some significant price increases since the inception of the contract.

In addition, the University did not review the selection of catering menu items offered by Chartwells. We reviewed catering invoices for a six-month period in 2017 and noted numerous items ordered were not listed on Chartwells catering menu. We also noted that some catering menu items offered by Chartwells were never or rarely ordered by University customers.

### C. Administrative Secretary Reimbursement

The contract did not reflect actual procedures for salary & benefit reimbursements related to catering services. According to Part Two, section 3.5.6 of the contract, “The contractor shall be required to pay fifty percent (50%) of the salary and benefits for one (1) Administrative Secretary that supports the Conference Services Office which includes the contractor’s catering services office.” At the time the original contract was completed, Event & Meeting Services employed an Administrative Secretary; however, the person in this position was promoted to Coordinator in 2007 and the Administrative Secretary position was eliminated. Chartwells has continued to pay fifty percent (50%) of the salary and benefits for the employee, regardless of the position held.

## Recommendations:

- A. Ensure Event and Meeting Services staff run reports of catering sales each month, develop procedures to ensure those reports are accurate, and once accuracy is confirmed, use the information to track catering sales and commissions earned.
- B. Develop procedures to review, approve and monitor catering menu item pricing and selection.
- C. Consider updating administrative secretary reimbursement procedures through future contract amendments.

## Status:

- A. **Implemented** – Plaster Student Union staff have developed procedures to reconcile catering sales monthly. These reconciled sales amounts are then used to establish annual commission owed as noted in finding 2 above.
- B. **Implemented** – Procedures to review and approve the catering menu have been developed. The served catering menu was last reviewed in the Fall 2019, and when the University partially closed

for COVID-19 in March 2020, contactless catering was developed and a new menu was prepared, reviewed and approved with pricing increased to reflect additional labor and packaging expense.

- C. Implemented** – Through discussion, it was determined the title and name of the employee whose salary and benefits are billed to the contractor are clearly identified on the invoice and this provides clear communication between parties as to the particular employee serving in the “Administrative Secretary” role. No additional action is required.

## **6. Other Contract Compliance Issues**

### **A. Vouchers and Department Charges**

At the time of the audit, vouchers could be easily duplicated and used improperly and documentation supporting department charges was not always complete.

### **B. Financial Reporting**

The University did not utilize required financial reporting to monitor the financial health of the contractor.

### **C. Expendable Equipment**

The University did not monitor expendable equipment and did not have a copy of any inventory completed since the transition in 2011.

#### **Recommendations:**

- A.** The Chief Financial Officer should work with Chartwells to develop a system that provides more accountability over vouchers and department charges.
- B.** The Chief Financial Officer should determine the type and frequency of available financial reports necessary to monitor the contractor’s financial health and then develop procedures to routinely review these reports throughout the contract life.
- C.** Procedures should be established to request and review the annual expendable equipment inventory.

#### **Status:**

- A. Implemented** – In February 2019, a team of representatives from Residence Life, Student Affairs, Admissions, and other University units who utilize the voucher system met with Chartwells management to develop a new voucher document using watermark paper and a system of tracking these vouchers. In addition, additional effort has been made to ensure necessary information is obtained for department charges.
  - B. Implemented** – The CFO has implemented procedures to review the annual audit each year.
  - C. Implemented** – The CFO reviewed the recommendation and the available information from the contractor. It was determined this contract requirement was meant to provide a means to follow up on any suspected issue with expendable equipment, but is not significant enough in value to warrant continual staff effort by either party. The CFO does obtain a report of capitalized assets at least annually.
-

## **Review of Event Revenue of JQH Arena and Juanita K. Hammons Hall for the Performing Arts February 21, 2019**

The University hosts many athletic, cultural, educational, and other special events at JQH Arena (JQH) or Juanita K. Hammons Hall for the Performing Arts (JKHH) which bring revenue to the University.

The Coronavirus Pandemic immediately halted all event activity in these facilities. Contracts were postponed or cancelled and until the pandemic clears and restrictions on mass gatherings are able to be safely removed, non-University events (other than graduations) will not resume.

### **1. Financial Activity for Entertainment Events**

Financial activity for each event held at JQH and JKHH was tracked in separate settlement accounts within the University's Banner accounting system. These accounts are designed to balance to zero. Once an event is completed and all revenues and expenses have been posted to the settlement account, the balance (profit or loss) is to be transferred to the JQH or JKHH Operating Fund leaving a zero balance in the settlement account. Our review of these funds identified settlement accounts were not always properly closed or deactivated, settlement funds were not accurately recorded or in a manner which allowed proper identification of fund source or fund type (taxable or non-taxable).

#### **Recommendation:**

Financial Services and JQH/JKHH staff should work together to establish a method to properly account for entertainment events that would provide complete and accurate financial data from the University's accounting system for events. Additionally, settlement funds should be closed into the operating fund after the event is completed and then deactivated to prevent future entries. Finally, entries posted to the University's Banner accounting system should be reconciled to records maintained at JQH/JKHH to ensure both records are accurate.

#### **Status:**

**Implemented** – Financial Services now reviews all account information at least twice a year to ensure information is recorded accurately and settlement accounts are properly closed and deactivated. Financial Services also prepares a report to the Board of Governors annually. The report is sent to the Box Office Manager to complete a reconciliation to records maintained at JQH/JKHH before being presented to the Board.

### **2. JQH/JKHH Operating Fund Budget**

#### **A. Budgeting and Recording of Revenue and Expenses**

The JQH Operating Fund budget only included expenses for the daily operation of the facility and not for events. As a result, the Associate Director indicated he submits accounting entries recording revenue as negative expenses as a means to attempt to stay within the amount budgeted.

#### **B. Foundation Account Transfers**

The JKHH Operating budget included revenue projections of \$135,000 annually from Corporate Underwriters and the Foundation; however, none of this revenue had been recorded in the JKHH Operating Fund since 2015.

#### **Recommendations:**

- A.** JQH/JKHH staff work with Financial Services Staff to develop a realistic budget of all anticipated revenues and expenses, and discontinue recording revenue as a negative expense.

- B. Transfer advertising and sponsorship revenue paid to the Foundation for JKHH events annually to coincide with amounts budgeted. Or, if University officials intend to leave the advertising and sponsorship revenue in the Foundation (which is appropriate), these projections should be removed from the JKHH operating budget.

**Status:**

- A. **Implemented** – According to the Director of Accounting & Budgeting, Financial Services helped develop a more realistic budget for the fiscal 2020 year; however, the pandemic impacted their ability to monitor the effect their changes had. They will continue to work toward realistic budgets as the pandemic clears and the facilities are more operational. Revenue that is not contra revenue is no longer recorded in the expense accounts to ensure a more accurate picture of revenues and expenses is provided by the financial records.
- B. **In Progress** – In response to this follow-up review, a transfer for advertising and sponsorship revenue was completed totaling \$91,637. The CFO stated he plans to make this part of his end-of-year close out process in the future and expects future transactions to occur closer to the end of the fiscal year in the future.

**3. Facility and Handling Fees**

Facility and handling fee revenue was not always recorded as revenue for the corresponding facility used, was not recognized or recorded as deferred revenue at the end of the event, and when recorded, the revenue was split among several different revenue categories with no basis for the additional work. In addition, the method of revenue recognition created inaccuracies in sales tax reporting.

**Recommendation:**

Consider simplifying the method of tracking and distributing the facility fee and the handling fee. This would include ensuring the fee is recorded in the operating fund of the proper venue (JQH/JKHH), ensuring the revenue is deferred until the event is held, ensuring the distribution is net of sales taxes paid, and determining if the allocation percentages are still applicable.

**Status:**

**Implemented** – Financial Services and the Box Office Manager have developed new procedures to transfer facility and handling fee revenue immediately following each event closure. The Box Office maintains a spreadsheet of fees collected and monitors the revenue transactions as they are posted. At the end of the year, the Box Office Manager provides this spreadsheet to the Director of Accounting & Budgeting for review and to record the deferred revenue entries required at the end of the fiscal year.

**4. Parking Fees**

Parking fees collected by a third party are not paid to the University in compliance with contract terms.

**Recommendation:**

JQH and JKHH Administration should properly monitor and enforce the terms of the contract that require the contractor to provide payment for the parking fees collected within 5 business days of the event. In addition, payment for parking area security and collection services should not be made until the parking fees collected at the event have been received by the University.

**Status:**

**Implemented** – Payment of parking fees had improved, but did not meet the 5 business day requirement. In review the 5 business days may be unrealistic, as the settlement must be completed and turned into the Associate Director of Athletic and Entertainment Facilities for recording and invoice

issuance. After the invoice is issued, payment can be remitted. At the end of 2019, payment was typically received within 30 days of invoice. This will be addressed in the upcoming procurement process for these services, once events are allowed.

## **5. Merchandise Sales at Events**

The University's agreements with event promoters often require the University to provide staff to sell merchandise (t-shirts, souvenirs, etc.) at events and provides compensation by splitting sales revenue collected at each event. The University uses the same contractor who provides event security and collects parking fees to provide staff to sell merchandise; however, this service, the method of compensation, and other liability factors is not documented in the existing contract.

Additionally, the additional compensation paid to the contractor was not included on the Form 1099 issued to the contractor at year-end and the University does not often receive its portion of sales revenue from the contractor in a timely manner (similar to finding 4 above).

### **Recommendation:**

If the University intends to continue to use this contractor to sell merchandise for the promoter, then JQH/JKHH administration should consult with the University's General Counsel regarding a contract that addresses merchandise/cash losses, compensation, timely payment to the University, and tax reporting.

### **Status:**

**In Progress** – The Senior Associate Athletic Director explained that the contract with the vendor used for security, parking and merchandise was nearing its term and bid documents for all three services (separately) were being prepared when the COVID pandemic hit. This closed the facilities and with it, any forward motion on the re-procurement of these services. It is the intention of the unit to move these processes forward once the restrictions on mass gatherings are lifted and they are able to safely program the facilities once again.

## **6. Sales Tax**

Instances were noted where the University did not accurately calculate and pay sales taxes on entertainment event revenues. The accounting for nontaxable revenue as taxable revenue created some overpayments of sales tax, failure to record some income as taxable revenue created some underpayments of sales tax, and miscommunication between JQH/JKHH and Financial Services created duplicate payments.

### **Recommendation:**

Financial Services should review their procedures for determining taxable revenue and calculating sales tax to ensure sales taxes are accurately calculated and paid. Working more closely with JQH/JKHH staff when determining taxable revenue would be beneficial.

### **Status:**

**Implemented** – Financial Services created a nontaxable settlement account number to account for nontaxable revenues within the settlement account. In addition, Financial Services also reconciles the sales tax totals to the event spreadsheet maintained by the Box Office Manager to ensure accuracy in reporting.

## **7. Nonresident Entertainers Tax**

Breakdowns in communication between Financial Services and the JQH/JKHH staff created issues of noncompliance with reporting of nonresident entertainer tax requirements. The University is responsible for submitting a list of promoters renting it's facility for a performance (including the entertainer's name)

on a quarterly basis to the DOR, and can be charged penalty and interest if the tax forms and amounts due are not filed in a timely manner.

**Recommendation:**

Financial Services staff and JQH/JKHH staff should work more closely together to ensure all the proper nonresident entertainers' tax forms are completed and the taxes are paid.

**Status:**

**Implemented** – All information related to Missouri Nonresident Entertainers Tax is now forwarded to Financial Services immediately following the settlement closure of every non-Missouri contractor. This improved communication process allows for the timely reporting and payment of this tax.

**8. Disbursement Controls**

Both JQH and JKHH have a checkbook to use when an immediate payment is required for an event and there is no time to process the payment through Financial Services.

- A. Some payments exceeded bid thresholds and did not go through the University's Procurement Services, and there was no contract for these services. University policy requires the solicitation of bids for purchases over \$25,000.
- B. Instances were noted where immediate payment was not required and the payment could have been processed through Financial Services.
- C. Actual invoices and copies of promoter settlements for JKHH events are not always sent to Financial Services to support payments made from the JKHH checkbook and to be scanned into the Banner accounting system for record retention.

**Recommendations:**

- A. JQH and JKHH staff should work with Procurement Services and the University's General Counsel to solicit bids for and contract with stage labor vendors.
- B. JQH and JKHH staff should only use the checkbook for disbursements requiring immediate payment. All other payments should go through the University's normal payment process.
- C. Financial Services should require the same documentation for payments from the JKHH checkbook as they do from payments going through the University's normal payment process. Copies of invoices and settlement statements should be provided and scanned into Banner.

**Status:**

- A. **In Progress** – The Senior Associate Athletic Director, Associate General Counsel, and Director of Procurement met to clarify the proper procurement of these services; however, management had not made any forward motion on the solicitation at the time the pandemic occurred. It is the intention of the unit to move these processes forward once the restrictions on mass gatherings are lifted and they are able to safely program the facilities once again.
- B. **Implemented** – According to the Director of Accounting and Budgeting, all checks issued by JQH/JKHH staff meet the immediate need criteria and all other non-emergent payments are processed through Financial Services.
- C. **Implemented** – According to the Director of Accounting and Budgeting, JQH/JKHH staff now email all supporting documentation to Financial Services immediately following check issuance.

## 9. Cash and Other Accounting Controls

### A. Cash Controls

Better cash controls were needed over payments received from promoters and other entities renting JQH and JKHH. Duties related to invoicing, collecting, and recording payments received were not adequately segregated and official prenumbered receipt slips were not issued. University Operating Policy 8.04 requires the duties of cash receipt and maintaining the accounting records be separated and also requires official prenumbered receipt slips to be issued for all monies received.

### B. Tracking Receivables

A better method of tracking amounts owed by promoters and other entities who rent JQH and JKHH was needed. Our review noted some instances where payments owed to the University had not been followed up on by staff to ensure they were paid timely. JQH and JKHH staff should ensure amounts owed are collected timely. Financial Services staff and JQH and JKHH staff should work together to develop an accounts receivable record that is properly tracked for timely payment to the University.

#### Recommendations:

- A. Segregate duties and issue official prenumbered receipt slips in compliance with University policy.
- B. Financial Services staff and JQH/JKHH staff work together to properly track and collect amounts owed to the University.

#### Status:

- A. **Implemented** – JQH/JKHH staff implemented QuickBooks® software to receipt all payments received. While QuickBooks® has helped in many ways, it has not solved the segregation of duties issue. After conversation with the Senior Associate Athletics Director, it was determined that all future money received reports and deposits would be completed by the Box Office Manager to add a layer of oversight and assurance for accurate and timely depositing. This change was implemented in February 2021.
- B. **Implemented** – JQH/JKHH staff implemented QuickBooks® software to better account for all receivables. A report of account receivable aging was printed for auditors on February 1, 2021 and identified 3 receivables totaling \$10,536 more than 91 days outstanding. The Associate Director of Athletics and Entertainment Facilities had already contacted the largest of the 3 receivables (totaling \$10,231) and found they had misprocessed their invoice and would rush payment. The other two accounts are insignificant, but will be monitored.

---

## Carrie's Café Cash Handling Procedures June 20, 2019

Carrie's Cafe is a student-managed restaurant located on the fourth floor of Pummill Hall. Students enrolled in HSP 435 (Restaurant Management), through the Department of Hospitality Leadership in the College of Natural and Applied Sciences, design the menu, market the restaurant and prepare and serve the food.

Carrie's Café has been greatly impacted by the COVID-19 pandemic. Students had already invested a lot of time, effort and some money into the Spring 2020 menu when the campus was shut down and all learning was transitioned to a virtual environment. During the Fall 2020 semester, operations shifted to a carry out model of service to best address health concerns of both faculty/students and patrons. Carrie's Café will



continue to utilize the carry out model of service until pandemic related health concerns are satisfactorily resolved.

### **1. Recording and Depositing**

Tips paid by customers were not always deposited, but instead were held in cash by the instructor to be used to pay for meals for the class at the start and end of each semester. When tips were paid in cash, the cash is withheld from deposits and not reported as income or transmitted to the University's Bursar's Office to be deposited. When tips are paid by check or credit card, the tip amount is withheld from cash sales when adequate amounts of cash is received. The University's Cash Handling Procedures policy (Op8.04) states, "all cash collected must be deposited at the bursar's office within one business day after collection/receipt of such money." To comply with University policy, all money received (including all tips) should be recorded and deposited.

### **2. Expenditures**

Supporting documentation was not always retained for amounts spent from the cash tips held by the Instructor. These funds were to be used to purchase food for students at the beginning and the end of each semester. In addition, while some detailed receipts for prior purchases were retained, some receipts are unreadable and a list of participants served did not accompany each receipt. The University's Cash Handling Procedures policy (Op8.04) specifically prohibits the use of cash for expenditures and to properly document purchase of food for students, a list all individuals served (students/faculty/staff/etc.) must accompany a clearly itemized receipt.

### **3. Record Retention**

Some financial records, including the cash register drawer reconciliation forms, cashiering system reports, credit card summaries, and related records were destroyed which limited our review to the current semester. When records were obtained on April 3, 2019, records prior to November 13, 2018 had been destroyed. In accordance with the University's Records Retention Policy (Op8.18), these records should be retained for a period of 5 years.

### **4. Sales Taxes**

The sales tax rate charged by the cafe between April 1, 2018 and April 8, 2019, was incorrect. As a result, customers were not charged correctly and the balance of sales tax due was paid from cafe revenues. Further, in instances where credit card tips were reported and deposited, these monies were misreported as taxable sales which resulted in sales taxes being unnecessarily paid on these monies. To ensure sales taxes are appropriately collected and paid, the cashiering system should be updated to reflect the proper sales tax rate and all monies deposited should be properly classified in the University's accounting system.

### **5. Change Fund**

A \$150 change fund was maintained for Carrie's Cafe. The origin of this fund was unknown and the fund was not recorded as cash on hand in the University's accounting records

#### **Recommendations:**

1. All money received (including all tips) should be recorded and deposited. Class meals should be paid through the University's normal expenditure process.
2. Pay for class meals through the University's normal expenditure process and retain proper supporting documentation.
3. Retain all records in accordance with the University's Records Retention Policy (Op8.18).
4. Update the cashiering system to reflect the proper sales tax rate and properly classify taxable and nontaxable sales in the University's accounting system.

5. Notify Financial Services Office of the \$150 change fund.

**Status:**

1. **Implemented** – Tips earned by students during the Fall 2019 and Spring 2020 semesters were deposited with the Bursar and recorded in a separate revenue account earmarking those funds for their intended future use.
2. **Implemented** – Class meals for the Spring and Fall 2019 semesters were paid using the University issued procurement card. Class meals have been discontinued in light of the pandemic.
3. **Implemented** – Records are now retained in compliance with University policy.
4. **Implemented** – Sales tax rates are now verified with Financial Services prior to opening each semester.
5. **Implemented** – The \$150 change fund was deposited with the Bursar on May 8, 2019. Due to the pandemic and the resulting change in operating method, the change fund has not been needed since the audit.

---

## **Review of the University’s Exclusive Beverage Rights Contract June 20, 2019**

On July 1, 2014, the University entered into an 11 year contract (7 years guaranteed, plus a 4-year renewal option) with Ozarks Coca-Cola Bottling for pouring and vending rights on the Springfield campus. The estimated value of the contract over the full 11 years is over \$5.5 million.

When the University closed in response to the pandemic, all beverage sales ceased. In addition, with the continued restrictions on capacity limiting events on campus, an estimated 41 percent of credit hours being offered through virtual learning, return to campus activity has not generated the amount of sales previously experienced. This has added some strain to the vendor relationship, and halted some progress on recommendation implementation.

### **1. Beverage Vending Machine Commissions**

Errors in the Ozarks Coca-Cola system used to calculate commissions owed caused the University to be underpaid \$73,407 for on campus vending purchases made between July 1, 2014 and March 31, 2019. In addition, documentation received from Ozarks Coca-Cola did not provide adequate data for the University to verify commission received was accurate and commission rates used to calculate commissions did not always agree to the contract.

**Recommendation:**

We recommend that the Chief Financial Officer continue to work with Ozarks Coca-Cola to collect the amount owed to the University, obtain and review sales documentation to ensure commissions are received on all sales, and amend contract to allow for the 20 percent commission rate on certain higher priced vending products sold.

**Status:**

**In Progress** - The University submitted an invoice totaling \$65,099 which included underpayment of commission between July 1, 2014 and March 31, 2019 totaling \$75,277, less overpayment of commission totaling \$1,801 and overpayment of growth incentives totaling \$8,377 (see section 2 below). Payment was received and deposited on June 17, 2019. The development of new sales documentation to verify commissions owed stalled in response to the pandemic. This work will be

continued this spring as a joint effort between Internal Audit and Risk Management and Financial Services.

## **2. Growth Incentive Payments**

Ozarks Coca-Cola overpaid the University \$8,377 in growth incentives.

### **Recommendation:**

We recommend the Chief Financial Officer allow the \$8,377 payments made due to the calculation error as a credit against the vending commissions owed.

### **Status:**

**Implemented** - The University allowed a credit of \$8,377 against the underpayments discussed above.

## **3. Marketing and Other Funds to be Spent by Mutual Consent**

The University had not designated a representative to provide mutual consent and track expenses paid using the \$41,055 in annual marketing funds provided by Ozarks Coca-Cola.

In addition, Ozarks Coca-Cola entered into a separate 3-year contract (2019-2021) with Missouri State Sports Properties, LLC (MSSP) totaling \$40,181 for athletic game day sponsorships. The Ozarks Coca-Cola management team believed MSSP was part of the University and these funds could count as part of the activation fund. MSSP is an affiliate of Learfield Acquisitions, LLC, which holds the exclusive marketing and sponsorship rights for Missouri State University athletics. MSSP's contract with the University prevents the use of already contracted funds. Ozarks Coca-Cola, MSSP, and the University need to resolve this misunderstanding over these funds.

### **Recommendation:**

We recommend the Athletic Director provide the mutual consent as specified in the contract to spend these funds and track the expenditures to ensure funds are not forfeited. Additionally, the Athletic Director should work with Ozarks Coca-Cola and MSSP to help resolve the issue over the activation funds.

### **Status:**

**In Progress** - Mutual consent is obtained from the Athletic Director as required by the contract document and the use of funds are monitored through use of a spreadsheet that is also reviewed by the Athletic Director periodically.

The Athletic Director and former MSSP General Manager met with two representatives of Ozarks Coca Cola in 2019 to discuss the activation fund matter. According to the Athletic Director, the group was not able to reach a compromise. This issue will be re-addressed in the upcoming contract rebid, renew, and/or renegotiation process.