



Internal Audit

Foreign Language Institute

February 5, 2016

Office of Internal Audit and Compliance



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

DATE: February 5, 2016

TO: Kelly Schlinder, Coordinator Foreign Language Institute
Stephen Robinette, Associate Vice President for International Programs
Dr. James P. Baker, Vice President for Research and Economic Development and
International Programs

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

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

RE: INTERNAL AUDIT: FOREIGN LANGUAGE INSTITUTE

BACKGROUND

In October 2012 the Board of Governors approved the creation of the Foreign Language Institute to expand opportunities for students to learn languages, particularly those identified as critical or “less commonly taught” languages. The Foreign Language Institute is a partnership between Missouri State University and four Springfield-area institutions, Evangel University, Drury University, Southwest Baptist University, and Ozarks Technical Community College. Credit courses are offered in Arabic, Chinese, German, Italian, Japanese, Korean, Portuguese, and Russian along with a small number of noncredit courses tailored to the needs of travelers, medical professionals and law enforcement professionals.

The Institute allows these partner schools to combine students and to share instructional resources, such as faculty and facilities, thus saving money and making it possible to offer collaboratively many languages that could otherwise not be offered. The Institute is housed in, and classes are taught in the Jim D. Morris Center.

Within Missouri State University, the Foreign Language Institute is a cooperative effort between the Office of International Programs and the Modern and Classical Languages Department. Funding comes from tuition and other revenues generated through education and training services provided by the Foreign Language Institute. The Foreign Language Institute employs a full-time Coordinator along with student workers. Other administrative support is provided through the Office of International Programs. Excess revenues generated over costs are to be distributed based on a formula approved by the Board of Governors in the proposal establishing the Institute.

OBJECTIVE AND SCOPE

The objective of this audit was to review the Foreign Language Institute’s financial and operating procedures from the time of its establishment through the Fall 2015 Semester.

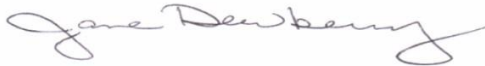
SUMMARY

The establishment of the Foreign Language Institute has shown to be a successful partnership for Missouri State University and the partner institutions. Many of the recommendations included in this report relate to the challenging task of tracking students from five different institutions. While some improvement is recommended, overall procedures are good. Recommendations and management responses addressing the distribution of funds, tuition revenue, and expenses are included in this report.

Sincerely,



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



Jane Dewberry, Senior Internal Auditor Audit
Field Work Completed:

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Distribution of Excess Revenues

The proposal to create the Foreign Language Institute designed it to be a self-funded program with the salaries for faculty and support staff and other expenses to come from tuition and fees generated by the classes offered. The following formula to distribute excess revenues generated over costs was set forth in the proposal that was approved by the Board of Governors:

- 35% to the Department of Modern and Classical Languages
- 35% to the Office of International Programs
- 20% to the University General Revenue Fund
- 10% to Missouri State Outreach

Since the inception of the Foreign Language Institute there have been 3 distributions made totaling **\$468,861** as follows:

- \$187,544.54 (40%) to the Department of Modern and Classical Languages
- \$187,544.54 (40%) to the Office of International Programs
- \$ 93,772.26 (20%) to the University General Revenue Fund

Missouri State Outreach did not receive the 10% distribution (**\$46,886**) approved by the Board of Governors. No amendments or other documentation were provided to support the change in revenue distribution. If the approved distribution formula has been changed, the modification should be documented and approved.

Recommendation

Comply with the terms of the approved distribution formula, or if the distribution formula has been changed, the modification should be documented and approved.

Management Response

The initial distribution passed by the Board of Governors included 10% of excess revenues to Missouri State Outreach. After some early discussions it was determined that excess revenue was not intended to be distributed in that manner. Rather, the distribution that has been made is the intended distribution. It was an oversight by administrators to not go back to the Board of Governors with the correction. That will be done early in 2016. There is no intention for Missouri State Outreach to receive any funds from the Foreign Language Institute.

2. Tuition Revenue

Students from the partner institutions enroll through, and pay tuition to, their home institutions the same as they would for any of their other classes. The partner institutions are then invoiced by the Foreign Language Institute for each student enrolled in an FLI class. The Foreign Language Institute also receives the tuition paid by MSU students enrolled in FLI classes. The FLI classes are to be specifically designated in the MSU enrollment system so tuition revenue associated with FLI classes can be properly allocated to the Foreign Language Institute.

The following was identified during our review:

- In Fall 2014, a per-course instructor paid by the Foreign Language Institute taught combined sections of Italian 201 (5 students) and Italian 102 (2 students). The Institute only received the tuition of **\$3,726** from the Italian 201 course, but not the **\$1,224** in tuition for the Italian 102 course because the class was not properly designated as a Foreign Language Institute class in the MSU enrollment system. To ensure

the tuition revenue is correctly allocated, FLI classes should be properly designated.

- In Fall 2014, 8 students from partner institutions were enrolled in an Arabic class but the partner institutions were only billed for 7 students. Documentation was provided showing that a student had withdrawn from the class, and the partner institution was not billed for this student. However, the agreement with the partner institutions indicates that the school should have been billed for that student. Since the students are actually enrolled at, and pay tuition to their home school, not MSU, the Foreign Language Institute should bill the partner schools according to the terms of the agreements and allow the partner schools to follow their own policies for dropped classes.
- According to Fall 2014 enrollment records, 3 students from partner institutions were enrolled in a Japanese class but the partner schools were billed for 5 students. The tracking forms for the additional 2 students were not completed to initiate a manual entry into the MSU enrollment system to reflect the correct enrollment of 5 students. In order to support the amounts billed to the partner schools, it is important to ensure all students are officially recorded in the University system.

Recommendation

Foreign Language Institute classes should be properly designated in the University enrollment system, partner institutions should be billed in accordance with written agreements, and all Foreign Language Institute students should be officially recorded in the University enrollment system. Tuition revenue billed and received should be periodically compared to enrollment records to ensure students are properly recorded and classes are appropriately designated.

Management Response

We agree all FLI classes should be properly designated in the Missouri State enrollment system. We will periodically compare tuition revenue to enrollment records to ensure tuition is properly collected and students are properly enrolled. We will also review existing agreements to determine if an amendment is required.

3. Expenses

Foreign Language Institute class expenses (mainly instruction costs) are to be allocated to the Foreign Language Institute to offset the tuition revenues. However, our review found some salary expenses were not properly allocated.

- A Graduate Teaching Assistant (GA) paid by the Department of Modern and Classical Languages taught 2 Arabic classes for two semesters with the Foreign Language Institute receiving tuition of **\$39,879**. A portion of the GA's salary expense was not charged to the Foreign Language Institute in order to properly match tuition revenue with the associated expense.
- A Modern and Classical Languages professor taught a German class in Spring 2015 with the Foreign Language Institute receiving tuition of **\$7,397**, but none of the salary expense was allocated to the Institute to offset the revenue.

To ensure expenses are properly allocated to the Foreign Language Institute, tuition revenue by class should be compared to teaching expenses.

Recommendation

Review tuition revenue and expenses to ensure that all associated costs, especially direct costs such as salaries, are properly charged to the Foreign Language Institute.

Management Response

We understand that the GA salary should be funded by the FLI. The salary expense from the MCL professor

teaching the German course was offset by the German course taught solely for MCL and not listed as an FLI course. The two teachers swapped courses. In the future we will attempt to ensure that expenses are appropriately charged.

4. Salary Calculations and Enrollment Records

Compensation rates for per-course instructors in the Foreign Language Institute are based on class enrollment with premiums of \$100 per student paid for each additional student over a class size of 20, and reductions of \$100 or more for each student less than 10 enrolled.

The table below shows 8 classes during FY15 where the salary paid to the instructor was for more students than the enrollment records show being enrolled in the class:

Number of Students for Salary paid	Students Per Enrollment System	Student Difference	Salary Difference
26	24	2	200
24	22	2	200
23	21	2	200
22	21	1	100
10	9	1	100
8	7	1	100
9	8	1	100
5	4	1	250 *
		11	\$ 1,250

*For class sizes less than 5, reductions are greater than \$100 per student.

According to the Foreign Language Institute Director the differences could be caused by the following:

- Some partner institutions start school a week later than MSU resulting in late enrollment for these students. Since documentation to initiate payment to the instructor is due the second week of class, a tracking form from the partner institutions is used to help determine the number of students in the class, even though the student has not officially enrolled. Some students change their minds and don't enroll which can result in overpayment to an instructor. To ensure instructors are appropriately paid, salary documentation may want to be delayed until enrollment for these classes is confirmed.
- Students who are enrolled in independent study classes through the Modern and Classical Languages Department (not the Foreign Language Institute) are sometimes included in the salary calculation to provide a means to compensate these instructors for these students. To properly keep Foreign Language Institute expenses separate from those of the Modern and Classical Languages Department, a different method to compensate these instructors should be determined. Further, \$100 per student may not be an appropriate rate to compensate Modern and Classical Language Department instructors for independent study classes. The Modern and Classical Languages Department should review how their instructors are compensated for independent study classes.

Recommendation

Ensure salaries paid to instructors are based upon accurate class enrollment data, and discontinue comingling salary expenses of the Modern and Classical Languages Department classes with those of the Foreign Language Institute.

Management Response

We plan to file the Personnel Action Forms for instructors teaching at the Foreign Language Institute as late as possible, to ensure accurate enrollment numbers. We may plan to cross list independent study courses with Foreign Language Institute courses, in order to redirect the tuition from these courses, while

compensating the instructors in some way for these courses. After a review of all the discrepancies and conferring with Internal Audit, we were able to explain all except one discrepancy, primarily due to the issues noted above.

Foreign Language Institute
Statement of Income and Expenses
Fiscal Years Ending June 30,

Income:	2013	2014	2015
Partner Tuition	1,815	42,324	61,908
MSU Tuition	39,564	282,564	409,374
MSU Noncredit	<u>-</u>	<u>2,199</u>	<u>5,180</u>
	<u>41,379</u>	<u>327,087</u>	<u>476,462</u>
Expenses:			
Payroll	(20,446)	(109,213)	(146,067)
Operating	<u>(2,072)</u>	<u>(7,291)</u>	<u>(26,657)</u>
	<u>(22,518)</u>	<u>(116,504)</u>	<u>(172,724)</u>
Income over (under) Expenses:			
	18,861	210,583	303,738
Prior Year Carryforward			10,583
Less Distribution	<u>(18,861)</u>	<u>(200,000)</u>	<u>(250,000)</u>
Current Year Carryforward	<u>-</u>	<u>10,583</u>	<u>64,321</u>