



Foster Recreation Center

June 21, 2017

Office of Internal Audit and Compliance



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

DATE: June 21, 2017

TO: Cindi L. Barnett, Director, Campus Recreation

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

CC: Dr. Dee Siscoe, Vice President for Student Affairs
Clifton M. Smart III, University President

FOSTER RECREATION CENTER

BACKGROUND

The Foster Recreation Center (FRC) is primarily a student-funded facility. In May 2004, the Student Government Association presented a resolution to the University's Board of Governors requesting a feasibility study for a recreation center. In October 2006, students voted to fund the center with a phased-in student fee that began in the Fall of 2007. Construction began in May 2010, with a grand opening celebration and ribbon cutting on August 20, 2012.

A major gift commitment from the Foster family in October 2011 resulted in the center being named the Bill R. Foster and Family Recreation Center.



The FRC is a Leadership in Energy and Environmental Design-certified, state-of-the-art facility, which offers common athletic activities for its students. The FRC manages regulation fields and courts for intramural and club sports, and individual activities such as jogging, rock climbing, and cardiovascular workouts. The pool is complete with a few extras like water current channel for therapy and walking, wheelchair accessibility, LED lighting, zip line, hydrotherapy jets, and underwater seating. These features are good for all students, not just those rehabilitating. (from CollegeRank.net – FRC is ranked 7th in the top 30 College pools).



The generous support of donors, along with good financial stewardship has provided FRC an opportunity to build up funds for future maintenance costs and equipment replacement while the building and its contents are still relatively maintenance-free. A fund balance of over \$4M has been accumulated as of June 30, 2016.

The basketball courts and the recreation fields at National Avenue and Harrison Street are named in honor of Betty and Bobby Allison as recognition for another large gift. Students participating in the University's intramural sports program utilize these facilities.

The Foster Recreation Center offers a place for the entire campus community to work out, play and learn about healthy living through aquatic services, fitness services, intramural sports, outdoor adventures, and wellness services. During 2016, the FRC logged approximately 400,000 visits through their turnstile entry gates.

OBJECTIVE AND SCOPE

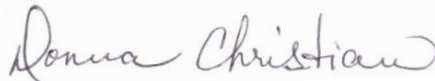
The objectives of this audit were to review the adequacy of internal controls, ensure compliance with University policies, and evaluate the management of financial resources. The scope of this audit included but was not limited to the year ending June 30, 2016 and the 6 months ending December 31, 2016.

SUMMARY

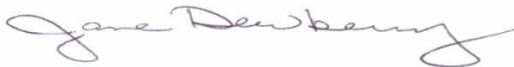
This report includes recommendations to:

- Improve cash controls by using the University's armored car service to transport deposits and by retaining documentation to explain the occasional difference between recorded receipts and the actual money deposited.
- Review sales discounts periodically to ensure all discounts given are appropriate, and improve documentation of registration changes.
- Perform a reconciliation to ensure all fee waiver benefits are received.
- Review staff compensation rates and improve financial monitoring procedures associated with Outdoor Adventure trips.
- Clarify policies and enhance liability oversight.

Additionally, this report applauds the FRC management for successfully developing and adhering to their annual budget. This strict financial management has allowed the FRC to accumulate approximately \$4 million in reserves to be used for future maintenance and growth without requiring an increase in student fees or membership fees.



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



Jane Dewberry, Senior Internal Auditor
Audit Field Work Completed: June 2, 2017

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Cash Controls and Procedures

FRC uses a Campus Recreation Management Software called **Fusion** that facilitates all aspects of their operations from scheduling, access control, and membership management, to cash receipting and financial reporting. Most recreation fees are paid on-line through a storefront; however, approximately \$200,000 in cash and check is collected annually at the facility. While our review noted that both the FRC Director and the Assistant Director for Business Operations have put in place some strong cash controls, there were a few areas where controls could be tightened.

1. The employee taking the deposit across campus to the Bursar's Office was openly carrying it in a locked bank bag. After we pointed out that the visible bank bag might be an enticement for theft, the FRC immediately began concealing the bag. To strengthen controls even further, consideration should be given to using the University's armored car services to transport the deposits.
2. Each day two Business Office employees compare the money collected to the receipt activity recorded in the Fusion system and prepare the daily deposit. Occasionally differences are noted between the receipt activity recorded in Fusion and the money deposited. While differences may occur due to cashier errors or other issues, an explanation for the differences is not always documented. Additionally, the transaction tapes for cash/check sales are destroyed. Only credit card transaction documentation is retained. To properly document and justify the differences between the money deposited and Fusion, supporting documentation, including all transaction tapes, should be retained.
3. Controls over sales discounts could improve. All employees working at the cash registers have the ability to override programmed prices for various sales discounts. The ability to perform a price override typically would be limited to management for control purposes. However, because of the frequent need to discount items, the ability to override prices has been given to all staff that might work at a cash register. Although we did not identify any abuse by staff for the transactions we reviewed, compensating controls should be put in place. The Fusion Software can produce a *Discounted Order Item Summary Report*, listing every order that includes a discounted price. A comment section on the report shows notes made at the time of the transaction to explain the reason for the discount. Some staff members document an explanation. A periodic (weekly) review of this report by FRC management, along with requiring staff to document an explanation for discounts, would be a good compensating control.
4. Fees associated with rescheduled classes are not always applied correctly in the Fusion software system. If a customer reschedules a class after the reservation has been made and the fee has been paid, the Fusion software allows employees to transfer the fee payment from the original class to the rescheduled class. This transfer provides for an accurate record of exactly who participated in the classes. However, instead of transferring the payment, some employees are leaving the original payment with the cancelled class and changing the cost of the rescheduled class to zero. This makes it difficult to determine who enrolled in each class and whether they were charged an appropriate fee. To provide an accurate accounting of class participation and fees, the transfer function of the Fusion software system should be utilized when a customer reschedules a class.

Recommendations:

1. Consider using the University's armored car service to transport deposits to the Bursar's Office.
2. Retain all daily transaction tapes and adequately document the reason for any differences between recorded receipts in Fusion and the actual amounts deposited.
3. Management should review the Discounted Order Item Summary Report on a routine basis and all employees should be instructed to document an explanation for each discounted sale/price override.

4. Review with staff members the proper method of transferring class registrations to a different class so that an accurate record of who actually attended and paid for classes is reported in the Fusion software system.

Management Response

1. *Management will investigate the feasibility of using the University's armored car service.*
2. *This recommendation has been implemented. As of February 2017, all daily transaction tapes are being retained and documented with the reason for any differences.*
3. *Management will review the Discounted Order Item Summary Report monthly and an explanation for discounted sales/price overrides will be provided.*
4. *Management will train staff on how to change class registrations to provide accurate records in Fusion software.*

2. Non-Credit Fee Waiver

Full-time University employees receive \$150 annually in fee waiver benefits to enroll in noncredit courses, such as the classes and activities offered by the FRC. Employees register for classes through an online system administered by Human Resources (HR). Periodically, benefit funds are transferred to the FRC to reimburse for these employee registrations. An audit reconciliation between fee waiver benefits and employee registrations at FRC showed a difference of approximately \$2,300 that appears to be owed to the FRC for unfunded registrations for FY2016. Although the FRC management generally performs these reconciliations, one was not completed for the last few months of FY2016 because the HR online system was discontinued in May 2016, and a new system was initiated. FRC personnel believed they no longer had access to the data in the old system. However, the data is available and should be reviewed in detail by FRC management to ensure all fee waiver funds are appropriately received by the FRC.

Additionally, during our audit reconciliation we noted employees registering online had to select a member or nonmember pricing structure and would often select the wrong price causing their registration to be rejected. This requires a second registration by the employee and an entry to remove the first registration. These errors and subsequent corrections caused many of the differences noted in the audit reconciliation for FY2016. Simplifying the pricing structure for employee fee waiver online registration process may help to reduce the time needed for reconciliations.

Recommendation:

Reconcile fee waiver benefits to class registrations to ensure all fee waiver funds are received, and consider simplifying the pricing structure to help reduce errors and reconciliation time.

Management Response

Management will reconcile fee waiver benefits to class registrations monthly and simplify pricing structure.

3. Outdoor Adventures

Outdoor Adventures at FRC offers students a chance to participate in many types of outdoor activities including caving, hiking, canoeing, kayaking, climbing, and campouts. They offer both day and overnight trips, and longer trips over semester breaks. In addition, the FRC has an indoor climbing wall with clinics available to teach the necessary skills for safe climbing. Outdoor Adventures also rents camping and sports equipment to members at a low cost. Some areas associated with these trips could be improved.

1. The student staff that serve as leaders and guides on Outdoor Adventure Trips are being paid a flat rate of \$35 for a day trip, \$65 for overnight trips, and \$100 for longer trips. The same students are paid \$7.95/hour when they work shifts at the FRC. In order to be paid these flat rates, students are instructed to enter the number of hours on their timesheet that will result in the desired flat rate amount, rather than entering actual hours worked.

FRC staff explained that because 2 to 4 student guides go on each trip, the students are not all constantly working and may be spending several hours just riding to and from the trip site. In order to keep the trips affordable, the flat rates were established to estimate the time the students would be actively leading the group or driving the vans.

The University must ensure that employees are being paid in compliance with the Fair Labor Standards Act (FLSA) and has established guidelines which are not being followed by paying these flat rates. Additionally, employee timesheets must document the actual hours worked, not just the hours required to calculate a flat rate payment.

2. Income and expenses associated with some Outdoor Adventure Trips could be better monitored to ensure all costs are covered.

For example, two trips planned to the National Parks in Utah during the 2016 Thanksgiving Break had 5 participants registered and 3 staff members planned for each trip. Unfortunately, two participants cancelled the day before the trip after only paying the \$100 trip deposit and not the full trip fee. The full payment of trip fees was not required well in advance of the trip to allow for staffing or other cost adjustments. As a result, expenses exceeded income by approximately \$500 for these trips.

Additionally, for these same two Utah trips, one van was obtained from the University's Motor Pool at a cost of \$2,070 and another similar van was obtained from Enterprise Rental for only \$613. According to FRC management, they needed to pull an equipment trailer with one of the vans and they were unable to obtain an Enterprise Rental vehicle with a trailer hitch. With such a significant difference in cost for similar vehicles, to save money, the FRC should negotiate a lower rate with the University's Motor Pool for these longer trips. Motor Pool rates are established by the day; however, the price for longer trips can be negotiated.

Recommendations:

1. FRC management should consult with the University's Human Resource and Payroll Departments to ensure that employees participating on the Outdoor Adventure trips are compensated in accordance with state and federal laws and timesheet are accurately prepared.
2. Consider establishing a deadline for full payment of trip fees several days in advance of the actual trip so adjustments can be made if necessary. Additionally, negotiate for lower rental rates for Motor Pool vehicles when long trips are planned.

Management Response

1. *Management will work with the University's Human Resource and Payroll Departments to ensure Outdoor Adventures Trip Leaders are compensated within state and federal laws.*
2. *Management will develop payment deadlines for trips and work with Motor Pool on lower rates for long trips.*

4. Policies and Liability Procedures

1. Memberships at FRC are limited to current students, faculty and staff, active alumni, Greenwood Laboratory School juniors and seniors, and University affiliates. A membership currently is not required to participate

in classes offered by FRC or to rent facility space. No policy has been established to define a “non-member” so it is not clear whether it is intended to mean a person otherwise eligible for membership due to their ties to the University or whether the general public qualifies to take classes and rent facility space. Currently, outside individuals and groups may rent areas of the facility pending availability with first priority given to student recreation and fitness activities. Also, lifeguard training classes are open to the public, along with other classes on a case-by-case basis. Consideration should be given to clarifying the FRC policies to define “non-member” to ensure services are appropriately limited or accessible.

2. Student Organizations renting recreational facilities (including recreational fields) are not required to sign a liability waiver or provide proof of insurance. According to the Director of Procurement, the University does not have liability insurance that covers Student organizations. FRC management should consult the University’s General Counsel to determine when student organizations should sign liability waivers and/or provide proof of insurance.

Recommendations

1. Clarify the FRC policy for the term “non-member.”
2. Consult with Legal Counsel on the need for Student Organizations to sign liability waivers and/or provide proof of insurance when renting Campus Recreation facilities.

Management Response

1. *Management will clarify the term “non-member”.*
2. *Management will consult with Legal Counsel on the need for Student Organizations to sign liability waivers or provide proof of insurance when renting Campus Recreation facilities.*

5. Financial Position

The FRC has successfully developed and strictly adhered to an annual budget resulting in the accumulation of approximately \$4 million in reserves to be used for FRC equipment and facility upgrades. We applaud FRC management for their financial management success. This accomplishment has placed the FRC in a strong financial position to plan for future growth and meet the demands of the University’s increasing enrollment. The following is a Statement of Income, Expenses and Fund Balances for the Foster Recreation Center for the years ended June 30, 2013, 2014, 2015 and 2016.

**Foster Recreation Center
Income, Expenses and Fund Balance
Year Ended June 30,**

	2013	2014	2015	2016
Income:				
Student Fees	\$2,679,534	\$2,695,936	\$2,717,414	\$2,778,068
Memberships	87,265	100,971	109,455	116,013
Class fees, rentals, other.	130,248	174,012	183,509	172,947
Fee Waivers and Transfers	18,688	28,056	36,915	30,014
Total Income from Operations	2,915,735	2,998,975	3,047,293	3,097,042
Expenses:				
Non-Student wages	546,258	605,087	620,161	633,554
Student wages	425,367	469,913	508,775	509,590
Utilities	166,682	140,686	132,436	121,307
Travel	28,547	38,943	40,353	24,640
Supplies	90,863	162,299	130,514	130,443
Services	61,638	126,147	135,202	138,390
Other	16,010	16,526	14,862	18,913
Equipment		2,448		102,660
Total Operating Expenses	1,335,365	1,562,049	1,582,303	1,679,495
Funds available from Operations	1,580,370	1,436,926	1,464,990	1,417,547
Add:				
Bond Rebate Income	271,101	240,245	251,512	251,016
Contributions from Foundation	504,743	488,548	235,990	487,400
Less:				
Auxiliary 2010 - Bond Payment	(1,243,834)	(1,145,633)	(1,145,792)	(1,146,261)
Transfer to Construction Account	(1,400,000)		(30,000)	
Ending Balance:	(287,621)	1,020,086	776,699	1,009,702
Beginning Carryforward	1,693,468	1,405,847	2,425,933	3,202,632
Net Assets	\$1,405,847	\$2,425,933	\$3,202,632	\$4,212,334