



***University Bookstore Inventory
Procedures and Controls***

October 4, 2018

Office of Internal Audit and Compliance



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

DATE: October 4, 2018

TO: Ray Presnell, Springfield Bookstore Director

FROM: Donna Christian, Director of Internal Audit and Compliance
Tami Reed, Senior Internal Auditor

CC: Dr. Dee Siscoe, Vice President of Student Affairs
Rachael Dockery, General Counsel
Clifton M. Smart III, University President

UNIVERSITY BOOKSTORE INVENTORY PROCEDURES AND CONTROLS

BACKGROUND

On June 29, 2018, Internal Audit observed and tested the annual physical inventory count at the Missouri State Bookstore. The Bookstore's gross sales and year-end inventory balances for the last six years is as follows:

FYE June 30	Sales (Retail)	Inventory (Cost)
2018	\$13,261,236	\$3,333,505
2017	\$14,648,897	\$6,340,006
2016	\$15,767,532	\$6,190,350
2015	\$15,279,233	\$3,948,774
2014	\$15,571,547	\$4,007,757
2013	\$15,776,401	\$4,735,104

As of June 30, 2018, the inventory balance of \$3.3 million was considerably less than prior years because a majority of the Fall 2018 textbooks had not yet been received. Additionally, gross sales, as well as profits have dropped significantly during the last few years.

OBJECTIVE AND SCOPE

The objective was to review the accuracy of inventory, assess the adequacy of internal controls, and review the financial management of store operations. The scope of the audit included, but was not limited to the fiscal year ended June 30, 2018.

SUMMARY

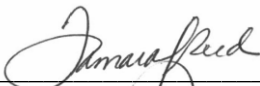
Included in this report are recommendations to:

- Periodically reconcile inventory within the Ratex point of sale system to the University's Banner accounting system.
- Ensure all adjustments posted to inventory balances are accurate. We identified **\$48,896** in textbooks that were returned to vendors in Fall 2017 but posted as an inventory write-off. As a result, the bookstore paid for the textbooks and did not request credits from the vendor until our audit.
- Segregate inventory duties to ensure the same person who orders, receives and returns inventory can't also write-off inventory.
- Improve the management of textbook inventory. We have made this recommendation in three previous audit reports. The annual loss on obsolete textbook inventory has grown from **\$142,836** to **\$676,597** since we initially made this recommendation in 2015.
- Establish written procedures for selecting, discarding, and writing off obsolete merchandise (excluding textbook inventory), and more closely manage electronic inventory to help reduce obsolete inventory. A similar recommendation was made in our 2017 audit report.
- Follow up on merchandise returns in a timely manner to ensure credit is received from the vendor. At June 30, 2018 there were 47 returns totaling approximately **\$64,000** that were over a year old but no credit memo had been received from the vendor. Little to no follow up had been performed on these outstanding credits and as a result, \$47,304 of the \$64,000 was written off subsequent to our review.
- Develop a written business plan that moves the bookstore into the future under a new business model. Textbook sales declined **\$1.6** million in the last two years and another **\$600,000** in the first two months of fiscal year 2019 for a total decline of **\$2.2 million**. With textbooks sales accounting for about 65 percent of total retail sales, and with more focus being placed on digital, open-access and low-cost content, a new business model is necessary to keep the store profitable. This recommendation was included in our 2017 audit report.
- Segregate duties within the Ratex point of sale system and discontinue allowing employees to disclose login credentials to other employees. These recommendations were included in our 2017 audit report.

Sincerely,



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



Tami Reed, Senior Internal Auditor:
Audit Fieldwork Completed: September 4, 2018

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. PHYSICAL INVENTORY COUNT AND YEAR-END CALCULATIONS

The Bookstore inventory value at June 30, 2018 totaled **\$3,333,505**.

<u>Department</u>	<u>Value (Cost)</u>
New Textbooks	\$ 1,625,842
Used Textbooks	704,897
Total Textbooks	2,330,739
Accessories & Furnishings	75,438
Campus Living	2,627
Clinique	42,330
Clothing	334,731
Electronics	222,363
Food	47,478
Gifts	139,332
Graduation	67,003
Greek	6,432
Souvenirs	13,734
School and Art Supplies	44,680
Tradebooks	6,618
Grand Total	\$ <u><u>3,333,505</u></u>

A physical inventory count was performed on June 29, 2018 at the Bookstore. Internal Audit selected 180 inventory items (27.5% of the inventory cost value) to compare the physical inventory count with the values in the Bookstore's Point of Sale (POS) system, Ratex. Some minor audit differences were identified and adjustments were recorded in the Ratex system.

The inventory balance was then reconciled to the University's general ledger inventory balances in Banner for financial statement presentation at June 30, 2018. We found that the year-end inventory balance in Ratex was lower than the inventory balance in Banner by \$147,090 valued at cost (or \$189,734 retail value). This difference represents inventory shrinkage throughout fiscal year 2018 and is 1.43% of retail sales. Historically, the National Retail Security Survey Final shrinkage percentage has been used as a benchmark to determine if the shrinkage realized by the bookstore is reasonable. The NRSSF reported the national shrinkage average was 1.33% of retail sales for 2017. The bookstore's year-end shrinkage of 1.43% is reasonably close to the national average.

Periodic reconciliations should be performed to evaluate differences between inventory balance in the Ratex POS system and the University's Banner accounting system. The last reconciliation prepared was in January 2018.

Recommendation

Perform periodic reconciliations of inventory costs to monitor any differences between the Ratex POS system balances and the University's Banner accounting system balances.

Management Response

The July and August 2018 reconciliations have now been completed and forwarded to the Office of Internal Audit and Compliance. The Business Manager is now dedicating time during the second week of each month to compile a reconciliation report. Reports are completed by the 20th of each month.

2. Inventory Adjustments

With the recent implementation of the Ratex POS system, changes in inventory can be monitored regularly. As Bookstore personnel perform periodic physical inventory counts during the year, the inventory balances are adjusted and inventory shrinkage (write-off) is recorded in the Ratex POS system throughout the year. Our review of these adjustments noted the following:

- A. Some adjustments posted to reduce inventory balances are not accurate. During the year ended June 30, 2018 total inventory shrinkage recorded in Ratex for all departments was \$195,986. Of this amount, the inventory shrinkage for new, used and digital textbooks, totaled \$167,388 (85% of the \$195,986). Our review of the entries that made up the \$167,388 noted three large adjustments totaling \$48,896 to reduce inventory for missing books. Our audit work revealed that these books were not missing, but had been returned to the vendor and the entry should have been recorded as a return of merchandise instead of an inventory write-off or shrinkage. Because of this incorrect entry, Bookstore personnel had not followed up with the publisher to request a refund of the \$48,896 since the books were returned in Fall 2017. After our review, Bookstore personnel contacted the vendor in July 2018 and requested a credit memo for \$48,896 to apply toward future orders. Additionally, the inventory shrinkage was reduced to the \$147,090 (\$195,986-\$48,896) noted in Observation No. 1 above.
- B. Duties are not adequately segregated with respect to the employees who post inventory adjustments to the Ratex POS system. Each department manager/buyer posts entries to reduce inventory balances (write-off, returns) within their own departments without any documented oversight. As a result, department managers/buyers who order, receive, return and manage inventory, also have access to increase or decrease inventory balances in the Ratex POS system. To properly segregate duties, someone other than the department manager/buyer should post accounting entries to adjust inventory balances. If proper segregation of duties cannot be achieved because of the lack of available staff, the Director should implement a documented supervisory review of all adjustments to inventory.

Recommendations

- A. Ensure adjustments posted to inventory balances are accurate and follow up to ensure the Bookstore receives credit for the \$48,896 in returned textbooks.
- B. Adequately segregate duties by ensuring someone other than the department manager/buyer posts accounting entries to adjust inventory balances. If proper segregation of duties cannot be achieved, a documented supervisory review should be performed.

Management Response

- A. *We recently received a credit of \$22,100 of the \$48,896. Employees in the Course Materials Department are working with the vendor to secure a credit for the balance.*

B. Management has developed a new policy requiring all inventory adjustments to be reviewed by the Bookstore Director and verified with the management team during the first meeting of each month. Department managers must be prepared to explain significant adjustments and provide documentation if necessary.

3. OBSOLETE INVENTORY

A. Textbook inventory management procedures for dead or obsolete textbooks continues to be a systemic problem for bookstore management. Even after highlighting this concern in the three prior audit reports, there continues to be an increasing need to establish and implement policies and procedures to properly monitor and manage obsolete textbooks. Dead or obsolete textbooks are textbooks that have not been adopted for use by a class.

The obsolete textbook balances, as well as losses, has continued to increase for the past four years as follows:

Fiscal Year End	Cost of Obsolete Textbook Inventory	Value Received for Obsolete Textbooks	Loss	Cost of Obsolete Textbooks in Year End Inventory
2015	287,895	145,059	(142,836)	***
2016	308,218	124,710	(183,508)	***
2017	160,007	71,152	(88,854)	369,000
2018	272,142	25,187	(246,955)	477,380

*** - information not readily available from old POS system (Booklog)

As shown in the chart above, the Bookstore lost **\$246,955** on the sale of obsolete textbooks during fiscal year 2018, but also still had obsolete textbooks in inventory costing \$477,380 that have not been sold. Some of these textbooks have not been adopted for a class since 2017. Based upon the value received for the obsolete textbooks sold in 2018, it is unlikely that the bookstore would receive more than an estimated \$47,738 (10% value) for these books costing \$477,380. As a result, the bookstore is likely to incur an additional loss of **\$429,642** (\$477,380 - \$47,738). Also, these obsolete textbooks make up approximately 20 percent of the total cost of all new and used textbooks of \$2,330,739. To ensure the University's financial statements are fairly stated, at the recommendation of Internal Audit, an adjustment was made to the textbook inventory balance and a reserve was established for \$429,642 to recognize the additional estimated loss.

The total estimated loss on obsolete textbooks for fiscal year 2018 is **\$676,597** (\$246,955 + \$429,642).

Improving inventory management for textbooks could have avoided this significant loss. Excessive obsolete textbook inventory can stem from ineffective sales forecasting, poor planning or using an outdated business model (see Observation No. 5 below). Bookstore management should take steps immediately to:

- Review textbook ordering procedures to determine the optimal number of textbooks to order for each class and establish ways to improve the ordering process to prevent over ordering.
- Monitor textbook inventory closely to quickly identify excesses.
- Develop a plan to return or sell excess textbooks quickly to obtain maximum value. (Some publishers will allow for the return of textbooks for full or partial credit within a specific window of time.)

We initially brought this issue to management's attention in our report dated October 16, 2015 when the annual loss was \$142,836. The financial severity of this issue is now serious

because of the lack of attention devoted to address this issue after previous audits. Properly managing inventory is crucial to preventing excessive losses.

- B. Our prior audit report recommended written procedures be developed on how to select and discard obsolete merchandise (excluding textbooks). However, written procedures have not been developed. Although the bookstore has an annual tent sale offering significant discounts on merchandise, some merchandise has been in the bookstore's inventory for many years. For example, over \$44,500 in merchandise inventory was purchased prior to June 30, 2014. Of this amount, \$8,627 is electronic merchandise which becomes obsolete very quickly. Over half of the electronic merchandise was purchased between 2005 and 2012. Holding merchandise, especially electronic merchandise for many years is not efficient and only leads to additional losses. It is important that management determine a method to sell older merchandise (especially electronic merchandise) before it becomes obsolete and develop procedures on how to select and discard other obsolete merchandise and remove the value from inventory.

Recommendations

- A. We again recommend that Bookstore personnel improve inventory management for textbooks. A written plan should be developed outlining the procedures that will be followed to improve the ordering process, increase monitoring procedures and sell/return excess textbooks timely. The plan should be immediately implemented and periodic reports on the progress should be provided to the Vice President of Student Affairs and the Office of Internal Audit.
- B. We again recommend that bookstore management establish written procedures for selecting, discarding, and writing off obsolete merchandise. Additionally, since electronic merchandise becomes obsolete quickly, management should more closely monitor this inventory and determine if there a ways to sell this inventory before it becomes obsolete.

Management Responses

- A. *To avoid losses caused by obsolete textbooks we will no longer hold books for students throughout the whole semester. Beginning this semester (Fall 2018) we are using 100% of our return privileges with vendors. We are returning textbooks within the timelines set by vendors to receive maximum credit. We will special order textbooks for students who need a textbook mid semester after returns are completed. This new strategy has been communicated to the Deputy Provost. A Course Materials Specialist has been hired that will assist with returns and other duties. This will aid in keeping the return process aggressive and consistent. Additionally, we will be adjusting the way we calculate the number of textbooks we purchase for each course to help prevent over ordering.*
- B. *Management is investigating ways to liquidate the oldest electronics merchandise using eCommerce, Monsoon and sale tables. Merchandise that has no value will be written off and disposed.*

4. RETURNED MERCHANDISE

When merchandise is returned to vendors for credit, the return is posted as a credit to inventory in the bookstore's Ratex POS system and the return is included on a list entitled, "Holding for Credit" until the credit memo is received from the vendor.

Included on the Holding for Credit listing were credits totaling \$378,030 of which approximately \$64,000 for 47 returns were over a year old but the credit memo had never been received from the vendor. As a result, the merchandise was returned, but the bookstore has never received credit for the return. The vendor was paid by the bookstore for the returned items. Little to no

follow up work has been performed in the last year by bookstore staff to determine why some of these older credit memos have not been received by these vendors.

For example, the largest return on the listing that is over a year old is a return dated January 28, 2016 for \$25,110. This was a custom printed book for a public speaking class. The bookstore initially ordered 3,150 copies, returned 600, but only received credit for 321. No credit has been received for the remaining 279 books valued at \$25,110. The last documented contact with this vendor regarding this \$25,110 credit was in June 2016. According to bookstore staff, this vendor only allowed return of 10 percent of the total order; however, the bookstore returned almost 20 percent of the total order. Bookstore staff do not believe the vendor will issue credit for the remaining \$25,110 in books returned.

Bookstore personnel should follow up on all merchandise returns in a timely manner to ensure the appropriate credit is received. If credit is not going to be received on some or all of the return of merchandise, then the reason should be documented and a write-off should be posted to the Ratex POS system to remove the credit from the listing. The Bookstore Director should approve all write-offs. Additionally, as noted in Observation No. 3 above, textbook inventory ordering procedures should be reviewed to try to avoid ordering excess textbooks such as the 20 percent overage noted in the example above. Subsequent to our review, \$47,304 of anticipated credits from vendors was written off and will not be pursued.

Recommendation

Follow up on all merchandise returns in a timely manner and if credit is not going to be received from the vendor, the reason should be documented and a write-off of the inventory should be posted. Additionally, textbook ordering procedures should be reviewed to avoid ordering excessive amounts of textbooks.

Management Response

A more thorough follow-up process for merchandise returns has begun with documented phone calls and emails. Returns are reviewed at the first managers meeting of each month for further follow-up. The Bookstore Director reviews and approves write-offs associated with textbook returns. New strategies will be employed for determining the number of textbooks to order for Spring term to avoid over ordering.

5. SALES AND PROFITABILITY

Textbook Sales

Textbook sales continue to decline at an accelerated rate. Textbook sales declined \$1.6 million during the last two years and for the first two months of fiscal year 2019; textbook sales have declined another \$600,000 compared to this same two-month period last year. A total decline of **\$2.2 million**. As textbook sales have plummeted, so have the bookstore's profits. With textbook sales accounting for about 65% of the total retail Bookstore sales, the continuing decrease is a significant concern.

Campus bookstores nationwide are seeing a reduction of textbook sales, as more focus is being placed on digital, open-access and low-cost content. Our prior audit report dated November 2017 addressed this issue and recommended bookstore management establish a business plan that redefines the bookstore's business model to help maintain store profits. However, at the time this report was written, management was just beginning to develop a new business plan.

Some areas management should review when redefining the bookstore's business model and developing a business plan include:

- A continued focus on student marketing should also be an important part of the bookstore's future business plan. In response to our prior audit report, bookstore personnel reinstated the congratulatory email sent to newly registered students. The email directs students on how to order their textbooks from the bookstore. Additional marketing strategies should be reviewed as part of the plan.
- Collaborating with faculty on identifying adopted course materials continues to be a challenge for the bookstore. While the Higher Education Opportunity Act requires institutions to make available to a college bookstore the most accurate information available regarding the institution's adoption information, bookstore personnel are sometimes not notified of adopted materials for some classes. Additionally, some instructors point students to bookstore competitors. A new business model should include a plan to work more aggressively at collaborating with faculty on textbook adoptions.
- During the Fall 2018 semester the bookstore was unable to fill a large amount of student textbook orders because several shipment of books did not arrive to the store timely. After the first full week of classes the bookstore still had orders for over 1100 textbooks that could not be filled, and after the second full week of classes over 400 textbook orders were still waiting to be filled. The delay stemmed mostly from orders submitted to one vendor in June 2018 that went unfilled and had to be reordered in August 2018 just weeks before school started. Ensuring textbooks are ordered and received timely is the main responsibility of the bookstore and should be a priority item in the business plan.
- While sales have decreased significantly, total annual operating expenses have held stable at approximately \$2.2 million (excluding capital expenses) during the last four years. A new business model should include a plan to reduce overall operating expenses.
- As many students are purchasing textbooks from other online competitors, the business plan should include a review of the bookstore's current online ordering process. Consideration should be given to adding a textbook reservation system similar to other Universities.
- The bookstore uses several vendors when purchasing textbooks. While textbook buyers always attempt to get the lowest possible textbook prices, further negotiations with wholesale providers may be beneficial.

The suggestions above are not meant to be an all-encompassing list of items to consider as bookstore management moves forward updating the store's business model. Additionally, as new processes are put into place, management should actively monitor textbook sales and assess the value of the changes implemented.

Affiliate Store Profits

The Bookstore currently has six affiliate store locations on campus:

1. Bear Necessities
2. 1905
3. BearStop
4. Boomers Convenience
5. BearWear Team Store
6. Madison Avenue

During fiscal year 2018, two affiliate stores, PawPrints and Maroon Nation, were closed because of continued losses. Also in fiscal year 2018, a new boutique, Madison Avenue, was opened and the Bear Necessities was expanded.

It is not clear that management reviews the profitability of each affiliate store on a monthly basis. During fiscal year 2018 the Boomer Convenience Store incurred a loss every month for a total loss of \$17,000 for the year. This store does not pay rent or utilities for the space they occupy in Hammons House, but still the net sales was not enough to cover the payroll associated with the store.

While Bear Necessities continues to be the most profitable affiliate, the store's sales decreased by \$65,000 and profit declined by almost \$30,000 in fiscal year 2018 compared to fiscal year 2017. Close monitoring and management review of operations is necessary to ensure the affiliate continue to be profitable. The regular review of affiliate store operations should be included in the business plan.

Recommendation

With decreasing sales and decreasing profits, bookstore management needs to develop a written business plan that moves the bookstore into the future under a new business model.

Management Response

Consideration has been given to new marketing strategies, such as incentives for buyback customers. Students who are new to the University present the best opportunity to increase sales and profitability. We continue to evaluate our marketing methods and points of contact with these students. A meeting has been scheduled with the Provost's Office and FCTL toward strengthening our relationships with faculty.

Textbook Management Department will review open orders in a timely manner and follow-up with vendors via email and phone regarding any delayed shipments. This will result in more timely shipments and improve our in-stock position at the beginning of the semester to better serve our students.

Management has eliminated some services that are no longer beneficial to the operation of the Bookstore. We have reduced store hours in our affiliate stores during slower traffic times, saving on payroll expense. Management is continuing to explore ways to reduce other operating expenses.

Efforts are underway to improve the performance of Boomers Convenience Store. Management is looking at opening the interior entrance for better accessibility and reviewing the operating hours and payroll expenses. The Business Manager and Bookstore Director will now review profit and Loss Statements for the affiliate stores each month.

6. SYSTEM CONTROLS

- A. The Bookstore's part-time Systems Analyst position has been unfilled since August 2016. Some of the duties of this position were reassigned to other employees. For example, currently the Bookstore Business Manager initializes new employee access within the POS system. Having the Business Manager, who is responsible for all financial functions, initialize new employee access within the system weakens internal controls by not adequately segregating duties. If the part-time System Analyst position is not going to be replaced, the Bookstore should take steps to reassign duties to employees in a manner to ensure duties are adequately segregated.
- B. A Bookstore manager continues to share his system login credentials to student workers by placing his login name and password taped to workstations at the front desk. This manager has access to computer fields such as, inventory pricing and receiving that

student workers should not access. When Internal Audit again noticed the credentials taped to the workstations, they were removed and the manager updated his password.

Employees should refrain from revealing their login credentials, and a review of all employee access within the POS system should be performed periodically to ensure all access is appropriate.

Both of these issues were reported in our prior audit report dated November 2017.

Recommendation

If the System Analyst position is going to be eliminated, duties of the former System Analyst should be delegated in such manner as to establish adequate segregation of duties and proper internal controls. Additionally, continue to monitor user login information and ensure employees refrain from disclosing their login credentials.

Management Response

- A. *The duty of creating login information for new employees has been delegated to the administrative assistant. Management is reviewing the need for a part-time Systems Analyst or similar position.*
- B. *Management has expanded the capabilities of our student employees in the RATEX system, therefore no longer needing a shared login to accomplish the day to day tasks.*

7. BOOKSTORE CASH COUNT

On June 29, 2018, the \$13,000 in cash assigned to the Bookstore, including all cash in the safe as well as all cash at all locations, was counted and verified.

A \$210.75 cash shortage existed in the book buy-back cash drawer, which maintains an imprest cash balance of \$3,000. The last time the cash drawer had been reconciled was June 30, 2017. As a result, it is unclear when the shortage occurred. Records show that during fiscal year 2018, \$7,898.75 used to buy books back from students, which was reimbursed through the University's petty cash system.

Recommendation

Reconcile the book buyback drawer monthly and investigate any differences on a timely basis.

Management Response

Management has developed a policy of conducting a monthly reconciliation process on the buyback cash drawer, beginning July 1, 2018.

Follow-up Review of University Bookstore Inventory Procedures and Controls Dated November 29, 2017

We reviewed the status of each recommendation presented in the previous audit report dated November 29, 2017.

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.

OBSERVATIONS, RECOMMENDATIONS AND STATUS

1. Physical Inventory Count and Shrinkage

Periodic reconciliations of inventory balances in Ratex and Banner were not performed on a consistent basis. Some procedural physical inventory issues were noted in which some items were not counted during the original scans.

Recommendations:

Continue to perform periodic reconciliations of inventory costs to monitor any differences between the Ratex system balances and the University's Banner accounting system. Additionally, at the time of the next physical inventory, ensure all items are accurately scanned, and all sales are recorded prior to items leaving the Bookstore.

Status:

In Progress. Physical inventory appeared to be materially complete and accurate. Periodic reconciliations are not performed consistently. (See Observation 1)

2. Obsolete Inventory

- A. Obsolete textbooks in inventory continue to increase. There are no written inventory management procedures to help guide bookstore personnel in routinely managing inventory.
- B. Obsolete general merchandise is maintained in inventory even after the store's annual tent sale. There are no written procedures outlining how obsolete merchandise should be handled.

Recommendations

- A. We again recommend that Bookstore personnel continually analyze textbook inventory based on the semester of adoption and ensure dead or obsolete textbooks are identified

and sold on a timely basis to receive the most value. Also, written procedures should be established prescribing the process used to best minimize the amount of loss.

- B. Written procedures should be established prescribing how to select and discard obsolete merchandise.

Status:

A. *Not Implemented.* (See Observation 3)

B. *Not Implemented.* (See Observation 3)

3. Sales and Profitability

Textbook sales are declining and some affiliate stores have incurred losses for several years with no action.

Recommendations:

Continue to actively monitor textbook sales and aggressively market textbooks to maximize profits. Additionally, as the textbook market place is being reduced, management should establish a business plan that identifies other revenue sources. Bookstore management should also evaluate the profitability of all affiliate stores and establish an improved business plan for the stores showing poor performance.

Status:

In Progress. Bookstore did reinstate direct email contact with enrolled students. Two affiliate stores that were not profitable were closed and a new boutique was opened. However a written business plan was not established and textbook sales and profits continue to decline. (See Observation 5)

4. Systems Controls

In the absence of the part-time Systems Analyst, some duties assigned to the Business Office Manager compromise internal controls. Two Bookstore employees provided their log in credentials with others compromising controls. The Bookstore purchased a software program called SubitUP and never implemented the program.

Recommendation

Ensure employees refrain from disclosing their login credentials. Install and utilize the SubitUp software or return it for a refund. Additionally, if the System Analyst position is going to be eliminated, duties of the former System Analyst should be delegated in such manner as to establish adequate segregation of duties and proper internal controls.

Status:

Not Implemented. The Bookstore Business Manager is still assigned duties that compromise controls, and one employee continues to share his log in credentials with student workers. The SubitUP software was abandoned and not renewed. (See Observation 6)

5. Ratex Controls

A new Ratex POS program costing \$324,055 was purchased in June 2016. Installation of hardware, software and staff training was completed with the Ratex system going live on

November 14, 2016. The version of the program purchased was not yet available at time of installation and the older version was installed. The final payment for the software was approved by the Bookstore Director and paid.

Recommendation

Consult with the University's General Counsel to determine what options exist considering the University has now paid the full balance of a contract but the vendor has not yet complied with all contract terms.

Status:

Implemented. The University General Counsel reviewed the RFP and the contract. While the version of the program received was not the version demonstrated by Ratex representatives during the RFP process, it does match the final contract signed by University representatives.

6. Bookstore Cash Count and Cash Register Controls

Cash assigned to Bookstore was counted and agreed to the amount assigned per the accounting records maintained by Financial Services. Miscellaneous cash receipts collected over two years ago totaling \$87.54 were in the safe.

Recommendation

Ensure all monies are deposited in a timely manner.

Status:

Implemented.