



Review of the University's Food Service Contract

December 13, 2018

Office of Internal Audit and Compliance



Missouri State[™]

U N I V E R S I T Y

DATE: December 13, 2018

TO: Steve Foucart, Chief Financial Officer
Dr. Dee Siscoe, Vice President for Student Affairs
Dr. Thomas A. Lane, Associate Vice President for Student Life/Dean of Students
Gary Stewart, Director, Residence Life, Housing and Dining Services

CC: Rachael Dockery, General Counsel
Clifton M. Smart III, University President

FROM: Donna Christian, Director of Internal Audit and Compliance
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BACKGROUND

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. Since this contract was approved, it has been amended 11 times to change various aspects of services rendered and to extend the contract period through May 31, 2030.

Retail services consist of 11 retail operations located in the Plaster Student Union (PSU), Meyer Library, and Strong Hall and a 12th operation opened in August 2018 located in Glass Hall. Current retail vendors include Chick-fil-A, Subway, Papa John's, Grill Nation, Burrito Bowl, Panda Express, 2 Starbucks, 2 Outtakes, Einstein's, and the Union Club. The University receives commissions on sales from these retail vendors per contract terms.

Chartwells provides dining services through three dining halls in the University's residential facilities and a small dining hall in the Greenwood Laboratory School. Meals can be purchased through various meal plans, cash, or credit card. Dining services also provides meals at various camps and conferences held on campus utilizing dining halls. The University receives a commission on all dining services sales except for mandatory meal plans. These plans are sold to the University by Chartwells at a contractual price and then are re-sold to students. Because the University controls the pricing, there is no commission earned on these sales.

Chartwells provides catering services for University and non-University meetings and events on campus. The contract requires University personnel to utilize Chartwells for all catering services estimated to cost over \$200. The University receives a commission on all campus catering sales by Chartwells.

Between May 16, 2011 and May 31, 2018, the University paid Chartwells nearly \$65 million, of which approximately \$55 million represents student meal plans and Boomer Meals paid by students. The balance represents catering services purchased by the University. During this same period, Chartwells has paid the University over \$16 million in commissions and contributions as follows.

	Received through May 31, 2018
Capital Improvement Projects	\$ 7,976,113
Commission ¹	\$ 5,956,670
Signing Bonus	\$ 550,000
CAM	\$ 490,574
Custodial Reimbursement ²	\$ 415,000
Annual President's Catering Fund	\$ 375,129
Annual Student Scholarship Contribution	\$ 350,000
½ Administrative Salary & Benefits ³	\$ 130,969
Annual Student Development Contribution	\$ 105,000
Annual Athletic Support Contribution	\$ 105,000
Support Services Evaluation Contribution	\$ 10,000
TOTAL	\$16,464,455

¹ See finding 2 for additional information.

² See finding 4.b. for additional information

³ See finding 5.c. for additional information.

In compliance with the contract, Chartwells also reimburses the University for utilities, trash and composting, and additional cleaning as incurred, and provides 10 free meal plans used for residence life employees. Based upon current contract terms, it is estimated that Chartwells will pay the University approximately \$23 million in additional commissions and contributions between June 1, 2018 and May 31, 2030 when the contract expires. 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 recent 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.

The University has been extremely pleased with both the quality of the food and the level of service provided by Chartwells in its dining hall operations, retail locations, and catering services as well as the revenue generated under the contract.

OBJECTIVE AND SCOPE

The objectives were to review the University's application and monitoring of contract terms in the University's Food Service Agreement with Chartwells. The scope included services and payments rendered beginning May 16, 2011 through the end of contract year seven, May 31, 2018.

SUMMARY

While the University's relationship with Chartwells has been a positive one, the contract document includes over 400 pages of terms that are sometimes contradictory and unclear making it difficult for University personnel to monitor. The calculations of commissions that Chartwells is to pay to the University on various foods sales across campus offers the most confusion for University personnel to monitor. University personnel do not track or obtain Chartwell's sales amounts to be used in the calculations, and are not clear on exactly how commissions are to be calculated. Audit calculations show that there is a minor discrepancy between \$34,000 and \$66,000 in commissions owed to the University depending upon how the terms of the contract are interpreted.

This audit also included recommendations to:

- Properly bill Chartwells for custodial services and collect \$28,615 in underpayments through May 31, 2018.
- Developed procedures to review, approve, or monitor the pricing and selection of catering menu items offered by Chartwells.
- Improve internal controls related to vouchers or department charges.
- Monitor the financial statements of the contractor as allowed by contract terms.
- Monitor expendable equipment inventory to ensure the University's assets are adequately protected.



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Audit Field Work Completed: November 28, 2018

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Contract Document

The contract document is incomplete, contradictory, and unclear. As a result, contract monitoring is incredibly difficult and sometimes impossible.

In September 2010, the University released a request for proposal (RFP) for food services and retail food operation services. Negotiations with the chosen contractor, Chartwells, were conducted through May 2011, when a contract was signed. The contract document is 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. Since May 2011, the contract has been amended 11 times and is now more than 400 pages in length.

When attempting to understand the terms of the contract, the written document was often the largest problem. In many instances, the intent of the agreement or negotiations, as explained to us by University personnel, were never documented or not clearly documented in the contract. Some examples include:

- As a result of extensive negotiations, the contract included seven different schedules with conflicting information regarding capital investment and other payments due from Chartwells to the University. We relied upon the advice of University personnel to determine which schedules to use when verifying contractor payments.
- The contract does not clearly define how commissions are to be calculated. Chartwells is required to pay commission to the University on retail sales, various dining sales, and catering sales. Based upon contract terms commissions are defined for each individual sales area. However, according to University personnel, commissions are to be accumulated for all sales areas and compared to the total guaranteed commission amount. (See Finding 2)
- The contract also does not clearly define the period of sales to be used to calculate commissions. Chartwells tracks sales on a September-October year, the University uses a July-June year; however based upon the date of the contract, a June-May year appears to be the contract year. Commission calculations can vary depending on the dates used.
- The contract did not identify rates for summer meal plans. We are unable to verify summer meal plan rates charged by Chartwells to the University are accurate.

As a result of these and other issues with the contract document, the University has struggled and sometimes failed to properly apply and monitor the contract terms. For example, in 2015, University personnel discovered Chartwells had underpaid the University guaranteed commissions for four years. Following discussion and review with Chartwells, it was determined Chartwells had used the wrong document from the contract to determine payment amounts. In October 2016, Chartwells paid \$46,200 for past years guaranteed commissions to remedy this issue.

Due to the significance of this contract to the University, it is important that University personnel are able to understand and monitor all contractual terms and conditions. It has long been the practice of the University's Procurement Office to include the RFP and related negotiation documents into the final contract document. While this may be acceptable in some situations where a proposal is received and accepted as documented with no negotiation, it does not work well when negotiations and counter-offers take place because information becomes contradictory or inaccurate. Further, it makes for unnecessarily large contract documents that contain a lot of needless information.

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.

Management's Responses

The University's Chief Financial Officer provided the following management response:

The Chartwells contract and the Mercy Health Care contract are the two major contracts with vendors that encompass multiple services over a longer time frame with significant bidding competition. The vast majority of contracts/RFPs are for a single purchase or single service.

Management agrees that future contracts and any amendments need to be clearly stated and when advantageous to the University seek to clarify any discrepancies with the Chartwells contract. General Counsel, Director of Procurement and the Chief Financial Officer will be meeting in January 2019, to develop additional procedures for complex and multi-year agreements.

While there are many revised proposals and clarifications to the Chartwells contract, this was the result of a very competitive bid and negotiating process with the three major foodservice vendors in the U.S. The three vendors all provide multiple funding sources in their bids to the University. This is the result of their internal structure and how to fund the various payments to the University. This also lends itself to a complex contract. These negotiations after the original bid was received provided an additional \$5 million in guaranteed commissions over the base ten year period and an additional \$2 million in capital for the three year contract extension if exercised while also clarifying how capital funds would be spent.

2. Guaranteed Commission Calculation

The contract provides for the University to receive commission payments from Chartwells for various sales across campus. The University has 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.

The contract establishes commission percentages for campus food sales as follows:

- **Retail Food Vendors** – 7-15% of sales (See Exhibit A.)
- **Dining Services** (voluntary meal plans, camp and conference meal services, Greenwood Laboratory School meals, or cash/credit meals at dining halls) – 15% of sales
- **Catering Services** – 15% of sales

In addition, the contract establishes guaranteed commissions for each retail location and for all nonretail (dining hall and catering) food sales. The schedule of guaranteed commissions is shown at Exhibit B at the end of this report.

The wording in the contract implies that these guaranteed commissions serve as minimum payments the University will receive per individual retail/nonretail location. However, according to the University's Chief Financial Officer (CFO), the total guaranteed commissions represents the amount Chartwells will pay to the University unless total calculated commissions of all retail locations and all other food sales is higher than guaranteed commissions. This is not clearly stated in the contract.

Another confusing element of the contract document is email correspondence dated March 2, 2011 between Chartwells and the University stating that Chartwells will, “guarantee the attached commission schedule,” (see Exhibit B) “OR prior year actual plus 4% whichever is GREATER.” Opinions from University personnel differ on how the four percent is to be applied, and Chartwells personnel told us that they do not believe the email is applicable to commission calculations.

In late 2016, University personnel thought campus food sales may have increased to a point where the total guaranteed commission schedule amount may have been exceeded. Since the University does not have procedures in place to calculate commissions, University personnel asked Chartwells to calculate commissions. Chartwells subsequently provided calculations to the University for year 5 (2015-2016) and year 6 (2016-2017) showing total calculated commissions for each retail location, dining hall services and catering services had not exceeded the total amount of guaranteed commissions. Auditors reviewed Chartwells calculations and identified several inaccuracies caused actual commissions earned to be underreported. These inaccuracies included incorrect gross sales figures and incorrect formulas in the spreadsheet used to make the calculations.

For the purpose of this audit, we calculated commissions using information and estimates (as applicable) from Chartwells, and reports from various University systems to determine gross sales for each retail/nonretail location, (see Exhibit C). Additionally, since the contract does not clearly define the annual period that should be used to calculate commissions, auditors used the contract year of June-May.

As shown in the chart below, we compared our calculated commissions to Chartwells’ calculations (if applicable), total guaranteed commissions and commissions paid. As a result, auditors determined the University has been underpaid by at least \$34,000 in commissions through May 31, 2018, as detailed in the below tables:

Calculated Commissions vs. Guaranteed Commissions

Contract Period	Calculated (per audit)	Calculated (by Chartwells)	Guaranteed Commission Schedule	Paid to the University by Chartwells	Difference*
Year 1 (2011-2012)	\$427,137	N/A	\$700,000	\$700,000	\$ 0
Year 2 (2012-2013)	\$713,436	N/A	\$788,900	\$788,900	\$ 0
Year 3 (2013-2014)	\$772,177	N/A	\$821,900	\$821,900	\$ 0
Year 4 (2014-2015)	\$868,613	N/A	\$856,200	\$856,200	\$12,413
Year 5 (2015-2016)	\$910,807	\$842,170	\$892,100	\$892,100	\$18,707
Year 6 (2016-2017)	\$932,323	\$922,681	\$929,400	\$929,400	\$ 2,823
Year 7 (2017-2018)	\$922,944	N/A	\$968,300	\$968,300	\$ 0
Total Underpaid Commissions					<u>\$33,943</u>

* Higher of amount calculated (per audit) or guaranteed commissions as highlighted, and commission paid by Chartwells.

In addition, by applying the email correspondence from Chartwells promising the prior year’s actual plus 4% whichever is greater another \$32,000 could be added to the underpaid commission amount for a total of approximately \$66,000 owed to the University.

To adequately monitor the terms of this contract and to ensure the University receives payment for the full amount of commissions owed, adequate procedures should be implemented to calculate commissions. Accurate sales amounts from retail food vendors, dining services and catering services need to be obtained and accumulated to properly calculate commissions. Additionally, in future contract amendments consideration should be given to properly defining the method in which guaranteed commissions and calculated commissions should be compared and defining the annual period of sales to be used to calculate commissions.

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.

Management's Response

The University's Chief Financial Officer provided the following management response:

Financial Services will provide a senior staff member to assist Student Affairs in the review and calculations of the guaranteed commissions. Procurement will seek to clarify the commission language in future contract documents as appropriate.

3. Retail Food Vendors

Procedures to monitor sales of retail food vendors are 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.

The contract requires Chartwells to provide the University with daily sales reports and closing register Z-tapes, along with the number of operational days, gross sales itemized by method of payment and customer count by the 10th day of the following month. While this process is in place to support and verify sales amounts, the process is cumbersome, time consuming and not sufficiently utilized by University personnel. Beginning in September 2017, new procedures were developed for Chartwells to report weekly sales to the University on a spreadsheet and for University staff to periodically "audit" amounts reported for select dates on the spreadsheet by reviewing daily sales reports and Z-tapes. This new process would be reasonable if University staff would not communicate "audit" dates in advance to Chartwells, but rather select random dates to review at the end of each month.

Additionally, University personnel use the information from the spreadsheet provided by Chartwells to build a different spreadsheet that tracks sales by location by month. This spreadsheet is used to determine commissions for each vendor. Our review of the Chartwells spreadsheets and the University spreadsheets noted errors, including incomplete information and formula errors, which caused total sales to be inaccurately reported by both sides. The commission calculations by University personnel were not always completed because of confusion surrounding contract terms.

Finally, the weekly sales spreadsheet is used by Chartwells to calculate the CAM fee owed to the University. But without adequate verification of sales data by the University, accurate payment of the CAM fee cannot be confirmed.

When gathering sales data for commission calculations in Finding 2, auditors obtained sales reports generated from the University's Blackboard cashiering system, which is used by Chartwells. With the exception of some Tapingo sales and some adjustments, these reports were fairly accurate. Going forward University personnel should generate these sales reports and reconcile them to information provided by Chartwells to obtain accurate sales amounts for retail vendors.

Recommendations

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.

Management's Responses

The University's Associate Vice President of Student Life/Dean of Students provided the following response:

Management concurs with the recommendation and Plaster Student Union staff have now gained access to Blackboard to generate sales reports. Plaster Student Union staff will work with Chartwells and Computer Services to generate the appropriate Blackboard report(s) to verify daily sales, total retail commissions, and appropriate CAM fees to be charged. Additionally, Plaster Student Union staff will select random audit dates at the end of each month for review of "Z tape" information with daily sales reports. University personnel will not communicate those dates in advance to Chartwells.

4. Dining Services

Residence Life, Housing and Dining Services (here on referred to as Residence Life) personnel do not track the various dining hall food sales to properly calculate commissions owed to the University by Chartwells. These sales provide approximately 30 percent of the commission revenue earned by the University. Residence Life also does not correctly invoice Chartwells for custodial services and does not reconcile meal plan invoices received prior to approving for payment.

A. Commissions

The University has 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.

Auditors determined cash/credit sales at dining halls and Greenwood School meals could be determined through reports available in the University's Blackboard cashiering system. University Residence Life personnel should obtain access to the cashiering system and track these sales for the purpose of calculating commissions owed to the University.

Auditors were unable to determine sales of voluntary meal plans or total camps and conference meal services using University resources. Therefore, auditors requested these sales amounts from Chartwells.

Chartwells was unable to provide accurate sales amounts for voluntary meal plans because they do not separately track the voluntary meal plans sold to residents of the University. They only track voluntary meal plans sold to off-campus residents. According to the contract a voluntary meal plan holder is defined as, "any student, faculty or staff member who is not required to purchase a meal plan but does so for their own convenience and need." In addition to off campus residents, this would include residents of Sunvilla and Monroe apartments all located on campus. The University is to receive a 15 percent commission on the sale of these meal plans. Auditors worked with Chartwells personnel to determine a reasonable estimate for total voluntary meal plan sales used in commission calculations in finding 2 above. Going forward University Residence Life personnel should work with Chartwells to obtain accurate sales amounts for all voluntary meal plans.

Lastly, Chartwells provided auditors with sales figures for camps and conference meals. Residence Life personnel do not retain documentation associated with camps and conference attendees to determine sales associated with these events. Going forward Residence Life personnel should develop

procedures to track camps and conference meals, obtain sales data from Chartwells after each event, and reconcile University records to Chartwells records for accuracy.

Tracking all dining hall food sales is necessary to calculate commissions owed to the University.

B. Custodial Services Reimbursement

The University has not increased the amount billed to Chartwells for custodial services by the Consumer Price Index as stated in the contract terms.

Part Two Section 4.17.5 states, "Missouri State University Residence Life and Services provides in all dining halls, the cleaning and maintenance of all floors, windows, walls, ceilings, and restrooms, both in the dining areas and in the food production areas. The contractor shall reimburse the Department of Residence Life Custodial budget \$60,000 per year for this service. After Year 1, the Consumer Price Index (CPI) will be used to determine the annual reimbursement required." Residence Life staff invoice Chartwells \$5,000 per month (\$60,000 per year) for this service; however, the adjustment for CPI during year two through seven has not been calculated or billed. In addition, no invoice for March 2012 services was sent/paid. As a result, the University has not billed/received \$28,615 in contractual reimbursement between June 1, 2012 and May 31, 2018.

C. Invoice Reconciliation

Meal plan invoices are not reconciled to reports of meal plan participants and contractual meal plan pricing to ensure invoice accuracy and contractual compliance. Each week, University employees in Residence Life prepare reports showing the number and the change in each participant's meal plan. This information is sent to Chartwells for invoicing. Once the invoice is prepared, it is sent back to Residence Life personnel who approve the invoice without reconciling the invoice to the original data provided for meal plan participants, recalculating the daily, weekly, or plan rate and comparing the rate charged to the contractually allowed amount, or ensuring the University was not charged for complementary plans. As a result, the University cannot ensure all invoices paid were accurate or all complementary meal plan benefits were received. Meal plan invoices paid total approximately \$9 million annually.

Recommendations

The Director of Residence Life, Housing and Dining Services should:

- 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.

Management's Responses

The Director of Residence Life, Housing & Dining Services provided the following management response:

- A. *In November 2018 multiple Residence Life, Housing and Dining Services staff members were trained on Black Board Transact enabling the calculation of gross sales to calculate commissions owed to the University. Beginning in the summer 2019, camps and conferences staff will retain the numbers of all*

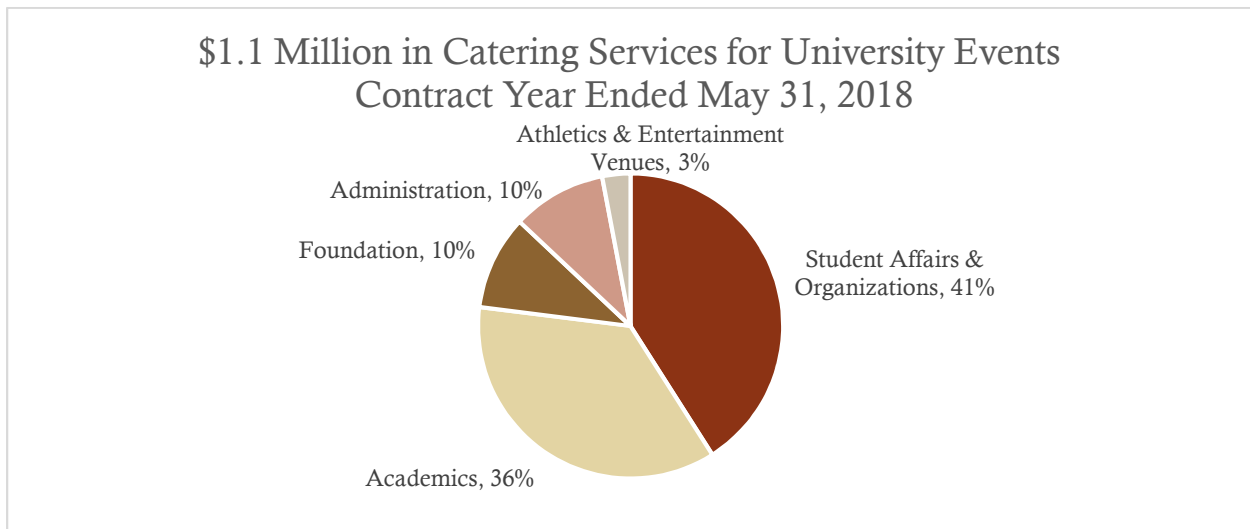
meal band distribution to groups, allowing for the verification of camps and conference sales to be accurately calculated and verified.

- B. Procedures have now been established to properly calculate the required reimbursement for custodial services.
- C. In November 2018, Residence Life, Housing and Dining Services began auditing reports for commuter student meal plans, in addition to the residence hall meal plans which were already being completed. Residence Life, Housing and Dining Services now verifies the invoices paid each week reflecting the number of meal plan holders the weekly audit shows.

5. Catering Services

The University has not established procedures to track catering sales to calculate commissions owed to the University. In addition, procedures to review, approve, or monitor the pricing and selection of catering menu items has not been established and the contract does not reflect actual procedures for salary & benefit reimbursements related to catering services.

The contract requires Chartwells to provide catering services to the University for events and other special occasions, and to non-university clients holding events on University premises. During the contract year ending May 31, 2018, Chartwells sold approximately \$1.1 million in catering services to the University and \$130,000 to non-university clients. A breakdown of University use of catering services is shown below:



A. Commissions

The University has not established procedures to track sales by Chartwells 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.

Chartwells and the University both utilize the same system, Event Management Software (EMS), to schedule and track catering orders. While this software has the capability of generating various reports showing total catering orders by client/menu item. University management does not utilize these reports.

To obtain catering sales data we generated these reports but found that generating these reports on a historical basis resulted some inaccuracies. For example, the EMS system only includes “active” menu items at the time the report is produced. Therefore, sales of seasonal items that had been removed

from the EMS system menu were not included. As a result, it is important that these reports be generated timely and not on a historical basis. Auditors generated various reports from the EMS system and obtained reports from Chartwells to arrive at a reasonable estimate of catering service sales.

Going forward, the University Event and Meeting Services staff should obtain monthly catering sales reports from the EMS system and compare them to catering sales reports provided by Chartwells. Once catering sales are verified, commissions earned by the University should be calculated.

B. Pricing and Selection of Menu Items

The University has 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, including:

Menu item description	Initial price	2018 price	Percentage increase
Water (per gallon)	\$1.50	\$ 5.00	233%
Iced Tea (per gallon)	\$6.25	\$14.00	124%
Cookies (per dozen)	\$7.00	\$16.00	129%
Potato chips & dip (per pound)	\$9.95	\$17.00	71%
Tortilla chips & salsa (per pound)	\$9.95	\$15.00	51%

During a portion of the 2016-2017 contract year, water was sold for \$10 per gallon, an 850% increase from the initial contract period; however, Chartwells reduced the price to \$5 per gallon later in that same year and has continued to invoice at that price into the current contract year.

In addition, the University does 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. The EMS system can provide personnel with reports showing the quantity of each menu item that was ordered in a given period. To ensure catering services meet the needs of the University, procedures to review, approve and monitor pricing and selection should be established.

C. Administrative Secretary Reimbursement

The contract does 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

The Associate Vice President for Student Life/Dean of Students and/or the Director of Dining Services should:

- 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.

Management's Responses

The Associate Vice President of Student Life/Dean of Students provided the following management responses:

- A. *Management concurs with recommendation and Plaster Student Union staff will generate a gross sales monthly report for catered events, in EMS. Plaster Student Union staff will also request all catering invoices each month. Using this report, Plaster Student Union staff will reconcile catering sales and commissions.*
- B. *Management concurs with recommendation and the Director of Residence Life, Housing, and Dining Services will coordinate and implement a process for approval of all Chartwells proposed catering menu items and requested menu item price increases/decreases in consultation with Vice President for Student Affairs, Associate Vice President for Student Affairs and Dean of Students, and Director of Plaster Student Union.*
- C. *Management concurs with recommendation and will change the position title to reflect an accurate title (i.e., Event Coordinator, Event & Meeting Services) in next contract amendment between Chartwells and the University.*

6. Other Contract Compliance Issues

Procedures related to the issuance, processing, tracking, and payment of voucher and department charge invoices need improvement. In addition, the University should monitor the financial health of Chartwells as provided by the contract and ensure inventories are completed and reviewed as required.

A. Vouchers and Department Charges

The University has not developed sufficient internal controls related to vouchers or department charges. When the University has guests such as student recruits or candidates for hire on campus, a paper voucher or department charge sheet is often provided so that the guests and sometimes accompanying University faculty/staff can eat in a dining hall or at a retail location during their visit. It is estimated that approximately \$40,000 in food services are purchased in this manner each year.

Vouchers

Current vouchers (examples pictured below) could be easily duplicated and used improperly without additional controls. The information provided on vouchers varies widely by type and issuer. Vouchers do not always include the recipient's name, are not always signed by an authorized individual to show approval of charges to be incurred, and also do not always include a business purpose or a value limit. In addition, vouchers are not pre-numbered, so departments cannot track vouchers issued, outstanding or paid.

Missouri State University Meal Voucher
 NAME: Paula Patterson
 Breakfast _____
 Lunch _____
 Dinner X
 Sat/Sun Brunch _____
9/26/17
 Date _____
 Authorized By Alexander Benson
 Budget Number: H02007-192036-201



DINING

Missouri State University Office of Admissions

Join us for lunch in the

**Garst Dining Center or
 Blair-Shannon Dining Center**

Ashley Page
 Name _____
 SEP 05 2017

Date _____

Missouri State Dining Services
 Guest Voucher - PSU Retail
 Limit: \$8.00
 Location: Chartwells Vendors - PSU Food Court
 Event: ECSL MEETING
 Approved By: Tara Benson STUDENT ENGAGEMENT
 Budget Number: H02008-202005-73408-201
 Expiration Date: **August 31, 2017**

Department Charges

Department charges are documented with Department Charge Sheets or via email. This documentation sometimes does not contain all necessary information such as business purpose, authorized signatures and guest names.

To ensure the validity of all charges, procedures related to the issuance, processing, and payment of voucher and department charge invoices should be improved.

B. Financial Reporting

The University does not utilize required financial reporting to monitor the financial health of the contractor. The contract states, "the contractor shall provide to the University, on a monthly basis, an operating income statement of the food service operation covered by the contract. The contractor must also provide to the University each year an audited annual report of the contracted food service operations." Further, the contract also provides, "the contractor shall also provide returns and reports to the University as may be required by the University and shall produce and exhibit for the University such books and records as the University deems necessary for inspection purposes." According to the University's CFO, Chartwells has never provided and the University has never asked for these financial reports. Due to the significance of the contract and our reliance on this vendor for services critical to the operation of the University, the financial health of the contractor is material to University operations and should be monitored.

C. Expendable Equipment

The University does not monitor expendable equipment and does not have a copy of any inventory completed since the transition in 2011. The contract states, "the contractor must inventory such equipment at least once per year and, following said inventory, shall replace all used items to the amount and quality originally provided." To ensure the University's assets are adequately protected, procedures to request and review the annual inventory should be established.

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.

Management's Responses

The University's Chief Financial Officer provided the following management responses:

- A. *Financial Services will evaluate centralizing the disbursement of vouchers and developing a unique voucher card that will not be easily duplicated and coordinate the new card with Chartwells.*
- B. *Financial Services will work with Chartwells on obtaining available informational financial reports.*
- C. *Financial Services and Student Affairs will request available inventory reports.*

Exhibit A – Retail Commission Schedule by Location

Percentage of Commission Earned from Gross Sales of:

Location (period of operation)	7%	8%	9%	10%	12%	15%
Chick-Fil-A & Grill Nation (2011 - current)	-	-	-	Less than \$700,000	\$700,001 to \$1,000,000	More than \$1,000,001
Subway & Freshens (2011 - 2012)	-	-	-	-	-	-
Red Mango (2012 - 2016)	-	Less than \$600,000	-	\$600,001 to \$700,000	More than \$700,001	-
Burrito Bowl (2016 - current)	-	-	-	-	-	-
Papa Johns (2011 - current)	-	Less than \$700,000	-	\$700,001 to \$800,000	More than \$800,001	-
Starbucks at Plaster Student Union (2011 - current)	-	Less than \$300,000	-	\$300,001 to \$400,000	More than \$400,001	-
Starbucks at Meyer Library (2011 - current)	-	Less than \$200,000	-	\$200,001 to \$300,000	More than \$300,001	-
Outtakes at Strong Hall (2011 - current)	-	Less than \$150,000	-	\$150,001 to \$250,000	More than \$250,001	-
Outtakes at Glass Hall ¹	-	Less than \$75,000	-	\$75,001 to \$125,000	More than \$125,001	-
Outtakes at Plaster Student Union (2016 - current)	-	-	-	Less than \$150,000	\$150,001 to \$250,000	More than \$250,000
Boomers ²	Less than \$50,000	-	\$50,001 to \$75,000	-	More than \$75,001	-
Union Club (2011 - current)	Less than \$60,000	-	\$60,001 to \$80,000	-	More than \$80,001	-
Panda Express (2012 - current)	-	Less than \$700,000	-	\$700,001 to \$900,000	More than \$900,001	-
Einstien's Bagel (2018 - current) ³	-	Less than \$300,000	-	\$300,001 to \$400,000	More than \$400,001	-

¹ The Outtakes location at Glass Hall included in the contract was never opened.

² Amendment number 1 closed Boomers dining facility by mutual agreement of both parties; however, this closure did not affect the guaranteed commission schedule.

³ Amendment number 11 opened Einstien Brother's Bagels in Glass Hall and required commissions paid as earned instead of being included in the guaranteed commission schedule.

Exhibit B – Guaranteed Commission Schedule by Location/Type

Location/Type (period of operation)	Year 1 2011-2012	Year 2 2012-2013	Year 3 2013-2014	Year 4 2014-2015	Year 5 2015-2016	Year 6 2016-2017	Year 7 2017-2018	Year 8 2018-2019	Year 9 2019-2020	Year 10 2020-2021	Year 11 2021-2022	Year 12 2022-2023	Year 13 2023-2024
Chick-Fil-A & Grill Nation (2011-current)	\$ 101,692	\$ 105,760	\$ 109,990	\$ 114,390	\$ 118,965	\$ 123,724	\$ 128,673	\$ 133,820	\$ 139,173	\$ 144,739	\$ 150,529	\$ 156,550	\$ 162,812
Subway & Freshens (2011-2012)	\$ 50,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Red Mango (2012-2016)	\$ -	\$ 52,785	\$ 54,897	\$ 57,093	\$ 59,376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Burrito Bowl (2016-current)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,751	\$ 64,222	\$ 66,790	\$ 69,462	\$ 72,240	\$ 75,130	\$ 78,135	\$ 81,260
Papa Johns (2011 - current)	\$ 58,123	\$ 60,448	\$ 62,866	\$ 65,380	\$ 67,996	\$ 70,716	\$ 73,544	\$ 76,486	\$ 79,545	\$ 82,727	\$ 86,036	\$ 89,478	\$ 93,057
Starbucks at Plaster Student Union (2011 - current)	\$ 27,894	\$ 29,010	\$ 30,170	\$ 31,377	\$ 32,632	\$ 33,937	\$ 35,295	\$ 36,707	\$ 38,175	\$ 39,702	\$ 41,290	\$ 42,942	\$ 44,659
Starbucks at Meyer Library (2011 - current)	\$ 18,206	\$ 18,934	\$ 19,692	\$ 20,479	\$ 21,298	\$ 22,150	\$ 23,036	\$ 23,958	\$ 24,916	\$ 25,913	\$ 26,949	\$ 28,027	\$ 29,148
Outtakes at Strong Hall (2011 - current)	\$ 11,878	\$ 12,353	\$ 12,847	\$ 13,361	\$ 13,896	\$ 14,451	\$ 15,029	\$ 15,631	\$ 16,256	\$ 16,906	\$ 17,582	\$ 18,286	\$ 19,017
Outtakes at Glass Hall ¹	\$ 4,400	\$ 4,576	\$ 4,759	\$ 4,949	\$ 5,147	\$ 5,353	\$ 5,567	\$ 5,790	\$ 6,022	\$ 6,263	\$ 6,513	\$ 6,774	\$ 7,045
Outtakes at Plaster Student Union (2016 - current)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Boomers ²	\$ 2,000	\$ 2,080	\$ 2,163	\$ 2,250	\$ 2,340	\$ 2,433	\$ 2,531	\$ 2,632	\$ 2,737	\$ 2,847	\$ 2,960	\$ 3,079	\$ 3,202
Union Club (2011 - current)	\$ 3,600	\$ 3,744	\$ 3,894	\$ 4,050	\$ 4,211	\$ 4,380	\$ 4,555	\$ 4,737	\$ 4,927	\$ 5,124	\$ 5,329	\$ 5,542	\$ 5,764
Panda Express (2012 - current)	\$ -	\$ 50,000	\$ 52,000	\$ 54,080	\$ 56,243	\$ 58,493	\$ 60,833	\$ 63,266	\$ 65,797	\$ 68,428	\$ 71,166	\$ 74,012	\$ 76,973
Einstien's Bagel (2018 - current) ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL RETAIL GUARANTEE	\$ 278,548	\$ 339,690	\$ 353,278	\$ 367,409	\$ 382,105	\$ 397,389	\$ 413,285	\$ 429,816	\$ 447,009	\$ 464,889	\$ 483,485	\$ 502,824	\$ 522,937
NON-RETAIL GUARANTEE⁴	\$ 146,500	\$ 163,200	\$ 171,100	\$ 179,500	\$ 188,300	\$ 197,400	\$ 207,100	\$ 217,200	\$ 227,800	\$ 238,900	\$ 250,600	\$ 262,800	\$ 275,700
VOLUNTARY MEAL PLAN GUARANTEE	\$ 275,000	\$ 286,000	\$ 297,440	\$ 309,338	\$ 321,711	\$ 334,580	\$ 347,963	\$ 361,881	\$ 376,356	\$ 391,411	\$ 407,067	\$ 423,350	\$ 440,284
GRAND TOTAL GUARANTEED COMMISSION⁵	\$ 700,000	\$ 788,900	\$ 821,900	\$ 856,200	\$ 892,100	\$ 929,400	\$ 968,300	\$1,008,900	\$1,051,200	\$1,095,200	\$1,141,100	\$1,189,000	\$1,238,900
	Year 14 2024-2025	Year 15 2025-2026	Year 16 2026-2027	Year 17 2027-2028	Year 18 2028-2029	Year 19 2029-2030							
GRAND TOTAL GUARANTEED COMMISSION⁵	\$1,288,460	\$1,339,990	\$1,393,590	\$1,449,340	\$1,507,310	\$1,630,310							

¹ The Outtakes location at Glass Hall included in the contract was never opened, but commissions are guaranteed for the location.

² Amendment number 1 closed Boomers dining facility by mutual agreement of both parties; however, this closure did not affect the guaranteed commission schedule.

³ Amendment number 11 opened Einstien Brother's Bagels in Glass Hall and required commissions paid as earned instead of being included in the guaranteed commission schedule.

⁴ Non-Retail includes catering, camps and conferences, cash/credit sales at dining halls and sales at Greenwood Laboratory School.

⁵ Grand Total guaranteed commissions are rounded to the nearest \$100, creating insignificant rounding differences throughout.

Exhibit C – Sales by Location/Type

Location/Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Chick-fil-A & Grill Nation	\$ 760,330	\$ 1,002,433	\$ 934,188	\$ 1,084,554	\$ 1,097,713	\$ 1,187,413	\$ 1,226,494
Subway & Freshens/Red Mango/Burrito Bowl	\$ 717,101	\$ 932,961	\$ 903,132	\$ 964,539	\$ 983,147	\$ 1,116,470	\$ 1,024,584
Papa John's	\$ 384,460	\$ 500,525	\$ 426,568	\$ 432,080	\$ 288,196	\$ 288,053	\$ 247,566
Starbucks at Plaster Student Union	\$ 169,313	\$ 505,937	\$ 521,274	\$ 528,314	\$ 570,669	\$ 557,487	\$ 576,032
Starbucks at Meyer Library	\$ 205,295	\$ 179,107	\$ 217,386	\$ 237,534	\$ 228,639	\$ 239,392	\$ 208,286
Outtakes at Strong Hall	\$ 134,950	\$ 126,449	\$ 136,833	\$ 145,482	\$ 146,186	\$ 128,134	\$ 113,916
Outtakes at Glass Hall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outtakes at Plaster Student Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,987	\$ 9,675
Panda Express	\$ -	\$ 609,537	\$ 776,552	\$ 822,568	\$ 945,507	\$ 939,220	\$ 917,003
Boomers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union Club	\$ 103,685	\$ 102,477	\$ 101,236	\$ 122,648	\$ 126,430	\$ 105,608	\$ 109,756
Total Retail	\$ 2,475,134	\$ 3,959,426	\$ 4,017,169	\$ 4,337,719	\$ 4,386,487	\$ 4,569,764	\$ 4,433,312
Catering Sales	\$ 814,863	\$ 888,991	\$ 945,264	\$ 1,061,124	\$ 1,166,491	\$ 1,217,475	\$ 1,253,549
Conference & Camp Sales	\$ 129,827	\$ 540,678	\$ 569,417	\$ 626,936	\$ 677,712	\$ 625,290	\$ 675,566
Blair-Shannon Cash/Charge	\$ 39,851	\$ 276,153	\$ 236,610	\$ 233,386	\$ 204,235	\$ 222,416	\$ 226,881
Garst Cash/Charge	\$ 31,215	\$ 190,572	\$ 275,411	\$ 310,132	\$ 290,614	\$ 204,848	\$ 171,800
Kentwood Cash/Charge	\$ 641	\$ 4,624	\$ 3,234	\$ 4,228	\$ 7,407	\$ 6,435	\$ 4,080
Greenwood Cafeteria	\$ 9,899	\$ 19,249	\$ 26,802	\$ 30,039	\$ 36,108	\$ 39,713	\$ 42,236
Bearfest Village	\$ 786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Retail	\$ 1,027,082	\$ 1,920,267	\$ 2,056,738	\$ 2,265,845	\$ 2,382,567	\$ 2,316,177	\$ 2,374,112
Total Voluntary Meal Plan	\$ 368,762	\$ 429,437	\$ 664,131	\$ 837,179	\$ 931,063	\$ 973,989	\$ 936,362
Grand Total	\$ 3,870,978	\$ 6,309,130	\$ 6,738,038	\$ 7,440,743	\$ 7,700,117	\$ 7,859,930	\$ 7,743,786