



## ***Audit Follow-Up Report***

***December 11, 2019***

**Office of Internal Audit and Risk Management**



# Missouri State<sup>™</sup>

U N I V E R S I T Y

**DATE:** December 11, 2019

**TO:** Alex Hirdler, Assistant Director of Athletics, Compliance  
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**FROM:** Donna Christian, Director of Internal Audit and Risk Management  
Natalie B. McNish, Senior Internal Auditor

## AUDIT FOLLOW-UP REPORT

### BACKGROUND

The Office of Internal Audit and Risk Management has completed review procedures to follow up on five audit reports issued between January 1, 2017 and September 30, 2017, to formally report on actions taken by University management in response to audit recommendations.

We requested documentation to support the status of each recommendation from responsible management and reviewed the validity of the documentation provided. The title and date issued for each of the five audit reports is listed along with a summary of each finding, the recommendation, and the status of the recommendation. The status is classified as one of the following:

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

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

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

**SUMMARY**

These five audit reports included 36 recommendations of which 31 recommendations have been implemented and three recommendations are in progress of implementation. The remaining two recommendations were classified with the status of Not Implemented.

The Office of Internal Audit and Risk Management applauds University management on the action taken to address each recommendation.



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



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Senior Internal Auditor

Audit Field Work Completed: November 25, 2019

# SUMMARIES, RECOMMENDATIONS AND STATUSES

## *Bursar's Office Book Buyback Cash* February 14, 2017

### 1. Book Buyback Funds

On Monday, December 12, 2016, a Bursar's Office employee suspected a shortage of \$2,000 in cash held for Follett, Inc., the University's book buyback vendor. The Bursar's Office Supervisor subsequently located the missing funds in the University's bank account. The confusion resulted from an error on the deposit reconciliation.

Our review of procedures and controls in the Bursar's Office identified improvement was needed in the following areas:

- A. The location of security cameras inside the Bursar's Office were not appropriately placed.
- B. Access to the Bursar's Office was not appropriately restricted.
- C. The vault in the Bursar's Office remained unlocked throughout the day, and the safe located inside the vault was also unlocked.
- D. Cash received, held and disbursed for Follett was only tracked in total and not in detail by denominations.
- E. The largest amount of cash requested daily by the Follett representative was \$53,600, but the Bursar's Office often held between \$90,000 and \$160,000 in Follett cash.

### Recommendations

- A. Properly locate security cameras in the Bursar's Office to view inside the vault and other areas where cash transactions occur.
- B. Properly track access to the Bursar's Office, by requiring all individuals to sign in and out.
- C. Restrict access to the vault and the safe by ensuring they remain locked when not in use and preventing access to nonemployees.
- D. Track the cash inventory held for Follett in detail by denomination.
- E. More closely estimate the amount of cash needed by the Follett representative to reduce the amount of cash on hand.

### Status

- A. **Implemented.** A camera has now been placed with a view inside the cash vault.
- B. **Implemented.** Every person entering the Bursar's Office that is not a Bursar's Office employee must sign in and out.
- C. **Implemented.** The safes and cash drawers now remain locked unless they are in use.
- D. **Implemented.** The book company's cash inventory is held by denominations and rebalanced after

each cash pick up.

- E. **Implemented.** The book company's head buyer notifies the Bursar's Office of the amount of funds needed. The Bursar's Office now only keeps the amount of funds needed plus a reserve on hand.

## 2. Follett Contract

The contract between the University and Follett does not require the University to hold large amounts of cash for Follett to facilitate the book buyback service. Considering the risk of loss to the University, other options should be considered.

### Recommendation

Determine if there are other options to facilitate the textbook buyback process without holding large amounts of cash at the Bursar's Office. At a minimum the amount of book buyback cash on hand should be reduced to more closely approximate the amount needed by the Follett representative.

### Status

**Implemented.** The University's contract with Follett was assigned to Nebraska Book Company. Nebraska Book Company determines the amount of funds needed for book buyback; however, total funds were reduced from \$232,000 to \$160,000.

## 3. Cashier Controls and Procedures

- A. The Bursar's office maintained an imprest balance of cash totaling \$100,000. With the increasing amount of electronic transactions, it is likely that the amount of this imprest balance can be reduced.
- B. Over \$260,000 in cash was held in the Bursar's vault when the University was closed at Christmas.
- C. Balancing procedures needed improved.
- D. Detailed written procedures documenting reconciliation processes, security procedures, duty segregation and other information would help ensure procedures don't become lax over time.

### Recommendations

- A. Determine if the amount of the imprest cash balance can be reduced below the current level of \$100,000.
- B. Deposit all cash on hand prior to the University closing for Christmas break.
- C. Periodically verify the starting cash in each cashier's drawer and require the cashiers to sign or initial the daily report after each cash drawer is balanced.
- D. Formulate various procedures and processes in writing.

### Status

- A. **Implemented.** The imprest cash balance has been lowered to \$85,000.
- B. **Implemented.** All funds are deposited prior to Christmas break.
- C. **Implemented.** A random cash audit of cashier drawers is now performed periodically and cashiers initial their balance sheet each day after balancing.

D. **Implemented.** Procedures are now documented in writing.

**Sports Camps and Clinics  
NCAA and University Policy Compliance  
March 16, 2017**

**1. Camps and Clinics Policy Manuals**

It is not clear if coaches received a copy of a *Sports Camps/Clinic Policy Manual*, or which version of the manual was used to administer the 2016 camp season. The *Coaches Compliance Manual*, dated 2016-2017 did not include guidance regarding the requirements for athletic camps and clinics because it was inadvertently omitted when the manual was updated.

**Recommendation**

Ensure all manuals are up to date, complete, and consistent with other governing documents.

**Status**

**Implemented.** Manuals have been updated and are available online.

**2. Submission of Camp Information**

- Camp information forms were not completed and submitted to the Office of Athletic Compliance for approval in accordance with the Coaches Compliance Manual.
- Some information such as player registration and fees was not sufficiently detailed in the camp financial reports to allow for adequate NCAA compliance monitoring.
- Although the *Sports Camps/Clinics Policy Manual* instructs coaches to send a financial report for each camp to the Director of Athletics within 30 days of the camp's conclusion, no reports were submitted for the 2016 camps.

Similar comments were included in a 2010 audit.

**Recommendation**

Ensure all camps/clinics information is prepared with appropriate detail and submitted to the Office of Athletic Compliance and/or the Director of Athletics as required.

**Status**

**Implemented.** Men's basketball and men's soccer was requested and received for 2019.

**3. NCAA Compliance**

The following required reviews were not being performed and documented:

- a. The Assistant Athletics Director for Compliance will review and approve all camp and clinic brochures, advertising and literature used for marketing. (NCAA Bylaw 12.5.1.6 and 13.12.1.6)
- b. The Assistant Athletics Director for Compliance will review all free – and reduced admission waivers. (NCAA Bylaw 13.12.1.7)

- c. The Assistant Athletics Director for Compliance will review registration information. (NCAA Bylaw 13.12.1.3)
- d. The Assistant Athletics Director for Compliance will review the student-athlete and coaches employment salaries and duties. (NCAA Bylaw 13.12.2.1 and 13.12.1.7)
- e. The Director of Athletics will approve the conduct of all camps, clinics, and private lessons, as well as review all financial reports submitted at the conclusion of each camp.

Similar comments were included in a 2010 audit.

#### **Recommendation**

Conduct and document required reviews of camps and clinics information to ensure NCAA compliance.

#### **Status**

**Not Implemented.** There is no documentation in the compliance office from the previous compliance director to verify A-E were performed. Going forward Athletic Administration indicates that a very robust process will be implemented for camps and clinics.

#### **4. Liability Insurance**

Some improvements were needed to ensure all coaches obtain the proper liability insurance coverage.

- Not all insurance certificates were submitted and on file with the Assistant Athletic Director for Compliance prior to the start of each camp.
- Our review noted that 6 of the 9 sports who held camps and clinics in 2016 had insurance certificates that did not specify the Board of Governors as an additional insured as required.
- Some of the liability limits on the insurance policies did not agree with requirements in the coach's contract.

Similar comments were included in a 2010 audit.

#### **Recommendation**

Obtain the Certificate of Liability Insurance prior to the camp event to ensure required insurance has been obtained, and the Board of Governors is listed as an additional insured. In the case where a certificate is not submitted prior to the camp, the coach should not be allowed to host the camp. Additionally, athletic administrators should work with the University Office of General Counsel to determine if the difference in liability limits between the coaching contracts and the certificates of insurance needs to be addressed.

#### **Status**

**Not Implemented.** Men's basketball failed to obtain liability insurance for the 2019 camps. Liability insurance for the 2019 Men's soccer camps and the 2018 men's basketball camps did not list the Board of Governors as additional insured.

#### **5. Facility Fees**

The 2016 facility fees for the men's basketball camps were not paid resulting in \$1,490 owed to the University by the former Men's Basketball Coach.

## **Recommendation**

The former Men's Basketball Coach should pay \$5 per enrollee for the 2016 camps and clinics as required by contract. At a minimum \$1,490 is due.

## **Status**

**Implemented.** The former Men's Basketball Coach paid the \$1,490 owed for the 2016 camps. However, the current Men's Basketball Coach did not pay the \$1,775 owed for the 2019 men's basketball camps until November 5, 2019 when Internal Audit asked about payment.

## **Foster Recreation Center June 21, 2017**

### **1. Cash Controls and Procedures**

- A. The employee taking the deposit across campus to the Bursar's Office was openly carrying it in a locked bank bag.
- B. An explanation for the differences between receipt activity and the daily deposit was not always documented, and the transaction tapes for cash/check sales are destroyed.
- C. Controls over sales discounts could improve. All employees working at the cash registers have the ability to override programmed prices for various sales discounts.
- D. Fees for rescheduled classes were not always applied correctly in the software system.

#### **Recommendations:**

- A. Consider using the University's armored car service to transport deposits to the Bursar's Office.
- B. Retain all daily transaction tapes and adequately document the reason for any differences between recorded receipts in Fusion and the actual amounts deposited.
- C. 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 override.
- D. Review with staff members the proper method of transferring class registrations so that an accurate record of who actually attended and paid for classes is reported in the Fusion software system.

## **Status**

- A. **Implemented.** The armored car service was not feasible due to the low amount of cash; however, the deposit is now more concealed when carried across campus.
- B. **Implemented.** All daily transaction tapes are now retained.
- C. **Implemented.** When prices are edited, comments are placed within the transaction.
- D. **Implemented.** Transfers are only allowed when they are dollar for dollar and staff members were advised to contact the business office on how to process transfers.

### **2. Non-Credit Fee Waiver**



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.

**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.

**Status**

**Implemented.** Fee waivers are reconciled and the pricing structure was simplified.

**3. Outdoor Adventures**

- A. The student staff that serve as leaders and guides on Outdoor Adventure Trips were not being paid in compliance with the Fair Labor Standards Act (FLSA).
- B. Income and expenses associated with some Outdoor Adventure Trips could be better monitored to ensure all costs are covered.

**Recommendations:**

- A. 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.
- B. 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.

**Status**

- A. **Implemented.** Campus Recreation met with Human Resources and Payroll to more accurately define duties and ensure employees are compensated accurately and within federal guidelines.
- B. **Implemented.** Outdoor Adventures has established a minimum participant number for each trip and Campus Recreation has requested a standard mileage rate from motor pool to keep costs sustainable.

**4. Policies and Liability Procedures**

- A. Consideration should be given to clarifying the FRC policies to define "non-member" to ensure services are appropriately limited or accessible.
- B. Student Organizations renting recreational facilities (including recreational fields) are not required to sign a liability waiver or provide proof of insurance.

**Recommendations**

- A. Clarify the FRC policy for the term "non-member."
- B. 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.

**Status**

- A. **Implemented.** The terms FRC member and non-member have been clarified.
- B. **Implemented.** Legal Counsel was consulted and changes were made to our facility agreement.

***Tent Theatre Missing Cash  
and Silent Auction Items  
September 18, 2017***

**1. Missing Silent Auction Items**

On Sunday, July 2, 2017, a student manager noticed items valued at \$605 were missing, including 9 gift cards, 4 admission tickets to an entertainment venue, 3 coupons for free automotive services, and a voucher for a 2-night stay and breakfast at a hotel. Our review identified the following improvement is needed.

- A. Donated items were not stored in a secure area.
- B. No receipts were issued to businesses who donate items.
- C. Inventory lists used to document donated items were not complete or accurate.
- D. Receipt slips were not issued to individuals paying for silent auction bundles unless requested.
- E. Procedures to dispose of unclaimed silent auction items were not established.

**Recommendations**

- A. Ensure all donated items are properly secured to protect against loss, theft, or misuse.
- B. Develop procedures to issue a receipt to all businesses upon receipt of donated items and ensure all related information is communicated to the Foundation for proper charitable recording.
- C. Establish clear, accurate and complete inventory records (lists, bundles and bid sheets) to account for all donated items, provide a clear description and accurate value for each item and document the disposition of each item.
- D. Issue receipt slips for the payment for silent auction bundles, in accordance with operating policy.
- E. Consult with University's General Counsel to develop procedures to return unclaimed prizes back into current inventory to be auctioned again.

**Status**

- A. **Implemented.** Donated items are now securely stored.
- B. **In Progress.** A copy of the acquisition form is provided to all businesses who donate items; however, these have not been provided to the Foundation. Managing Director, Mark Templeton, said they will make sure these are provided to the Foundation for future seasons.
- C. **Implemented.** Acquisition forms including all pertinent information have been established and are used to track all donated items.

- D. **Implemented.** Receipt slips are now issued upon receipt of monies for silent auction items.
- E. **Implemented.** Procedures to dispose of unclaimed items have now been established and are followed in the event a winning bidder does not collect their items.

## 2. Missing Cash

On Friday, July 7, 2017, the Accounting Specialist identified a shortage of \$150. Our review of the shortage identified the following:

- A. The \$350 used for change funds was not sufficient to meet the needs of Tent Theatre productions. As a result, \$455 recorded as receipts during the June 13, 2017 opening show was not transmitted for deposit, but held and occasionally used for change until after the final show on July 24, 2017.
- B. Sales reports completed for each retail area did not include all necessary information to properly document sales revenue, the reconciliation of change funds, and the transmittal of all funds to the Vending Manager.

### Recommendations

- A. Establish a change fund sufficient to meet the needs of all Tent Theatre productions, including weekends and require all sales be deposited timely.
- B. Require a beginning count of change funds along with a reconciliation of total monies to be completed and documented on the sales report at the close of retail each night. In addition, reliability in sales reports could be improved by simplifying reports to allow inventory levels and sales to be more accurately reflected, requiring manual changes to prices be approved by the student manager, and requiring the Accounting Specialist to sign the report to document receipt of the transmittal.

### Status

- A. **Implemented.** Sufficient change fund monies are now requested from and returned to Financial Services for each season.
- B. **In Progress.** Sales reports are now sufficient and price changes are now approved by the student manager. However, no sales report is used for the student manager's change bags totaling \$180. After discussing this with the Accounting Specialist, a form was created and will be used during the upcoming season.

## 3. Financial Information and Planning

Sufficient access to pertinent financial information has not been established for those charged with responsibilities for planning and monitoring Tent Theatre.

### Recommendations

Sufficient access to pertinent financial data should be obtained to plan for the upcoming season and monitor ongoing financial position throughout each production cycle.

### Status

**In Progress.** Sufficient access to financial reporting systems has been established and new activity codes have been established for each production of the season; however, not all costs have been

allocated using these codes for the prior season. It is anticipated these codes will be used for all of the upcoming season's revenues and expenses, and clear financial reporting will then be available for each production cycle.

## ***Vehicle Rental Contract Utilization Review*** ***September 18, 2017***

### **1. Using Rental Vehicles Could Save Money**

The University could save money by encouraging employees to use the State of Missouri's contract with Enterprise Rent-A-Car more frequently when traveling long distances. University Operating Policy 8.22-4 Methods of Transportation should be revised to include information instructing employees to utilize the state's contract with Enterprise for long distance business trips.

#### **Recommendation:**

The University's Methods of Transportation policy should be revised to include information instructing employees to utilize the state's contract with Enterprise for long distance business trips.

#### **Status**

**Implemented.** The University's Methods of Transportation policy was revised to reference the state's contract with Enterprise Rent-A-Car. As a result, the University's use of Enterprise Rent-A-Car has increased by over 200 percent between 2016 and 2018. We estimate the University has saved approximately \$100,000 in mileage reimbursements between 2016 and 2018.

### **2. Reimbursements**

During our review of vehicle rental expenses, we requested and received reimbursements totaling **\$1,170** relating to overcharges, duplicate payments, and personal vehicle rentals.

#### **Recommendation:**

None. During the course of this audit, Internal Audit requested and received reimbursements totaling **\$1,170** for the University.

### **3. Personal Use of Vehicle Rentals by Outreach Department Employee**

Between July 2016 and May 2017 a Criminology Instructor/Outreach employee rented vehicles from Enterprise for weeks and months at a time to perform recruiting duties costing the University **\$5,182**. It appears these vehicles were often used for personal use.

#### **Recommendation:**

The Outreach Department should ensure employees use rental vehicles for business use only. Additionally, mileage logs should be maintained when vehicles are rented for extended periods of time that include several business trips and the employee's travel expense report information is not sufficient to document the use of the vehicle.

#### **Status**

**Implemented.** Outreach budget administrators now review vehicle rental invoices to ensure staff usage follows policy, and any vehicle rental for more than one day requires documentation of activity.

#### 4. Athletic Vehicle Rentals

Some coaches were provided rental vehicles in lieu of courtesy vehicles from the University Foundation and some coaches did not always utilize the Enterprise Rent-A-Car contract when renting vehicles.

##### **Recommendation:**

- A. If the University intends to rent automobiles for the coaches' personal and business use when vehicles are not available through the Foundation, Athletic Administrators should update employment contract language and determine the appropriate avenue to provide rental vehicles considering the restrictions for official state use in the current contract with Enterprise.
- B. When vehicles cannot be rented through Enterprise, coaches should attempt to negotiate the lowest possible rate for the University and document the reasons why it was necessary to rent a vehicle outside of the contract with Enterprise.

##### **Status**

- A. **Implemented.** Long-term rental agreements for coaches are no longer common. This occurs typically only for very limited periods if there are transitions in coaching staff.
- B. **Implemented.** Car rental companies other than Enterprise are now rarely used.