



***Review of Event Revenue of JQH Arena
and Juanita K. Hammons Hall
for the Performing Arts***

February 21, 2019

Office of Internal Audit and Risk Management



Missouri State[™]

U N I V E R S I T Y

DATE: February 21, 2019

TO: Stephen Foucart, Chief Financial Officer
Keith Boaz, Senior Associate Athletic Director, Athletics and Entertainment

CC: Kyle Moats, Director of Athletics
Rachael Dockery, General Counsel and Chief Compliance Officer
Clifton M. Smart III, University President

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

Review of Event Revenue of JQH Arena and Juanita K. Hammons Hall for the Performing Arts

BACKGROUND

The University hosts many athletic, cultural, educational, and other special events that bring revenue to the University. Event venues exist in many locations on campus with the two largest being the John Q. Hammons (JQH) Arena and the Juanita K. Hammons Hall (JKHH) for the Performing Arts. The JQH Arena is financed through bonds with an annual payment of approximately \$3.8 million. Private gifts along with basketball seat assessment and student fees are used to fund the bond payment. There is no bonded indebtedness associated with JKHH. Revenue from events, such as concerts held at JQH and JKHH help to support the operational costs of each facility. This audit focuses on the revenue provided by these events.

The University contracts with various entertainers and production companies to hold concerts and other events at JQH and JKHH. Contract terms vary by event. In some instances the University shares in the profit/loss of the event and in other instances the University rents the facility and the renter receives any profit/loss for the event. Keith Boaz, Senior Associate Athletics Director, Athletics and Entertainment Facilities (Associate Director) manages these facilities, and negotiates event contracts.

OBJECTIVE AND SCOPE

The objectives were to review the University's accounting for events held at JQH and JKHH. The scope included, but was not necessarily limited to the years ended June 30, 2016, 2017, and 2018.

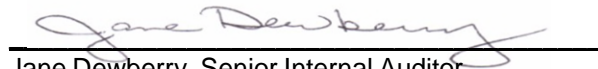
SUMMARY

This report includes recommendations:

- For Financial Services staff and JQH/JKHH staff to work closer together to establish a method to properly account for entertainment events that would provide complete and accurate financial statement data for each event.
- For Financial Services staff and JQH/JKHH staff to work together to establish a realistic budget for JQH and JKHH Operating funds that includes event revenue and expenses.
- To simplify the tracking and distribution of facility fees and handling fees.
- For the JQH/JKHH Associate Director to ensure parking fees are collected from the contractor within five business days as required by contract terms.
- For the JQH/JKHH Associate Director to obtain a contract for merchandise sales.
- For Financial Services to review their procedures for determining taxable revenue and calculating sales taxes owed.
- For Financial Services staff and JQH/JKHH staff to work together to ensure the Missouri Nonresident Entertainers tax is paid.
- For Financial Services staff and JQH/JKHH staff to work together to improve disbursement controls and cash controls.



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



Jane Dewberry, Senior Internal Auditor
Audit Field Work Completed: February 21, 2019

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Financial Activity for Entertainment Events

Financial activity for each event held at JQH and JKHH is tracked in separate settlement accounts within the University's Banner accounting system. These accounts are designed to balance to zero. Once an event is completed and all revenues and expenses have been posted to the settlement account, the balance (profit or loss) is to be transferred to the JQH or JKHH Operating Fund leaving a zero balance in the settlement account. Our review of these funds identified some areas for improvement.

Settlement Accounts not properly closed

Our review noted numerous open settlement funds dating back to 2015 with balances other than zero in the University's Banner accounting system. Some of the settlement funds had positive balances because the profit had never been transferred to the operating fund, while some settlement funds had negative balances because additional event expenses were posted after the profit/loss had already been transferred to the operating fund. As of June 30, 2017, there were approximately 35 open settlement funds from prior events that needed to be closed. After we brought this issue to the Chief Financial Officer's attention, he closed these settlement funds in 2018 by posting net revenue totaling **\$77,996** and **\$296,959** to the JQH and JKHH Operating Funds, respectively. Open settlement funds should be reviewed annually to ensure these funds are properly closed into the JQH and JKHH Operating Funds. Once a settlement fund has been closed, it should be deactivated so no further entries can be made.

Settlement Funds not properly managed

We observed numerous errors in accounting entries posted to the settlement funds in the University's accounting records. Some of the accounting errors distorted the financial information in the settlement funds so much that amounts closed out from the individual settlement funds did not accurately represent profits from some events. For example:

- \$242,272 in revenue for the Dierks Bentley concert was posted to the World Wrestling Entertainment settlement fund.
- \$134,373 in revenue for the World Wrestling Entertainment event was posted to the Men's Basketball Bahamas settlement fund.
- \$21,410 in expenses paid to the promotor for Whose Live Anyway was posted to the Phantom of the Opera settlement fund
- \$3,842 in advertising expenses was never posted to the Phantom of the Opera settlement fund.
- \$2,400 in expenses for the 2018 KTTS Show was posted to the 2017 KTTS Show settlement fund.
- \$1,279 in advertising expense for Rudolph was posted to the 2018 KTTS Show settlement fund.

Better communication between the University's Financial Services staff and the JQH/JKHH staff could have possibly prevented these and other errors. The JQH/JKHH staff are responsible for preparing accounting entries for events and sending them to Financial Services to be posted in the University's Banner accounting system. We noted that accounting entries prepared by JQH/JKHH staff sometimes included errors; however, these entries were still posted to the University's accounting records by Financial Services staff. JQH/JKHH staff told Internal Audit that they did the best they could to prepare accurate accounting entries, but they were not accountants. Financial Services staff told Internal Audit that JQH/JKHH staff didn't always submit enough detail with accounting entries to determine if the entries had errors, so they just posted the entries received.

Limitation of Using Settlement Funds

There is currently only one account code used for all entries in Banner settlement funds. Consequently, the various types of revenues and expenses are not classified separately. As a result taxable and nontaxable revenue are not easily distinguishable in the settlement funds contributing to over and underpayments of sales taxes. See Observation #4.

Currently the only detailed financial statement for each event held at JQH and JKHH is manually prepared by the Associate Director. Although these manual records were often more accurate than the settlement funds maintained in the University's accounting records, the manual records did not always include revenue from some of the fees collected. Additionally, these records are not reconciled to the University's Banner accounting records to ensure both records are accurate. Recently, JQH/JKHH purchased Quick Books accounting software program to track event financial activity; however, financial activity should be accurately tracked within the University's system.

Financial Services has recently provided JQH/JKHH staff additional access to reports in the Banner accounting system that will assist them in reconciling the two records.

Recommendation:

Financial Services and JQH/JKHH staff should work together to establish a method to properly account for entertainment events that would provide complete and accurate financial data from the University's accounting system for events. Additionally, settlement funds should be closed into the operating fund after the event is completed and then deactivated to prevent future entries. Finally, entries posted to the University's Banner accounting system should be reconciled to records maintained at JQH/JKHH to ensure both records are accurate.

Management Response

The Chief Financial Officer provided the following responses:

Financial Services and JQH/JKHH agree with the recommendation and have implemented the following:

- *Both JKHH and Financial Services had the unexpected loss of key personnel who oversaw the shows and the close out of shows. Key personnel have now been assigned in both areas to facilitate the accounting and close-out of shows.*
- *JKHH and JQH Arena contracts for shows that typically provide for a portion of the net profit or rental income to remain with the University. Gross ticket sales and show expenses are not income or expenses of the University. The net profit or loss of the show is what the University receives. For these reasons, recording all transactions in the settlement account is the most appropriate method of accounting for shows. An unintended consequence if all expenses were recorded as the University's, performance funding would negatively be impacted. For these reasons the settlement account method was established as the method for recording all show transactions. This method has also been reviewed with the University's external accounting firm. Individual transactions are recorded in a balance sheet settlement account and is an accurate reflection of all transactions in Banner. JKHH and JQH now utilize reports produced from Banner that documents every transaction, the date, the transaction description, the amount and the source documents that created the entry. As of now all supporting backup for each transaction is scanned in the Banner system and can be accessed by the staff. The detail of every transaction in the Banner report allows the JKHH and JQH staff to compare all entries in Banner to JKHH and JQH manual reports at the time of closing out a show. Should any discrepancies exist, they can be researched in the supporting Banner documentation and corrected. Only after the show is closed out is a profit or loss recognized on the books of the University.*

- *JKHH, JQH and Financial Services have implemented new measures/procedures as Internal Audit advised to identify deficiencies during the audit. The last remaining item regarding sales tax is now being implemented.*
- *All shows through December 2018 have been closed out.*
- *A review of shows in FY2019 reflect that the settlement account method is now fully utilized.*
- *Twice a year Financial Services will review with JQH and JKHH staff the close out all shows that have taken place.*
- *When JQH and JKHH staff issue checks/wire transfers for show final settlement of shows, the Financial Services accountant who posts the entry will do a preliminary review of the settlement account fund balance to determine no major revenue or expenses were incorrectly recorded. The final review will be when Financial Services staff and JQH/JKHH staff review the final close out of shows to record the actual profit/loss. In addition, we will expand check transaction descriptions in Banner to provide additional detail. However, all check detail is scanned and easily accessed in Banner.*
- *Over the past several years, Financial Services has determined that the settlement account for recording show transactions provides the most efficient and best accounting practice method to recognize a show's profit/loss. Internal Audit and Financial Services has reviewed the process and based upon the changes being implemented, agree to the use of settlement accounts.*

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

JQH/JKHH staff will work closely with Financial Services staff to ensure settlement accounts are closed in as timely of a fashion as possible. JQH/JKHH staff will reconcile Banner accounting records to the records maintained at JQH/JKHH to ensure both records are accurate.

2. JQH/JKHH Operating Fund Budget

- A.** Income and/or profits from entertainment events are sometimes recorded in the JQH/JKHH Operating Funds as reductions to expenses rather than as revenues, in an effort to keep expenses within budgeted amounts.

For example, production companies are sometimes required to reimburse the University for expenses such as advertising costs or student labor costs. Instead of recording these reimbursements as part of entertainment revenue, these reimbursements are often recorded as a reduction to expenses. During fiscal year 2017, revenue posted to the advertising expense account exceeded actual advertising expenses causing the advertising expense balance in the JQH Operating Fund financial statement to be a negative **-\$105,973**. Reducing expenses to the point of reporting a negative expense is not a good accounting practice.

Student labor expenses reflect the most significant reductions. In fiscal year 2017, a total of **\$249,300** in student labor expenses were actually paid and charged to the JQH Operating Fund; however, 71 credit entries totaling **\$183,100** reduced the expense down to **\$66,200**. As a result, the JQH Operating Fund financial statements don't reflect the actual amount of student labor costs paid by the University.

The JQH Operating Fund budget only includes expenses for the daily operation of the facility and not for events. As a result, the Associate Director indicated he submits accounting entries recording revenue as negative expenses as a means to attempt to stay within the amount budgeted. However, the budget for JQH only authorized **\$15,000** be spent on JQH student labor as compared to the **\$66,200** expense balance noted above. Considering these amounts, it is not clear whether \$15,000 is a poor budget estimate or whether not all expense reimbursements were similarly recorded.

Posting income as a reduction in expenses makes it difficult for financial statement users to have a clear picture of the amount of revenue received and expenses incurred in the operation of the JQH/JKHH facilities. JQH/JKHH staff should work with Financial Services staff to develop a realistic

budget of all anticipated revenues and expenses, and discontinue recording revenue as a negative expense.

- B. The JKHH Operating budget includes revenue projections of \$135,000 annually from Corporate Underwriters and the Foundation; however none of this revenue had been recorded in the JKHH Operating Fund since 2015. After bringing this to the attention of Financial Services staff, a transfer of \$365,000 was made to JKHH from the Foundation covering items dating back to fiscal year 2014. This revenue represents event advertising or sponsorships sold. During this time, JKHH had been operating at a deficit and had required additional supplemental funding from the University. At June 30, 2017, JKHH had a deficit balance of (\$460,726), and transferring the \$365,000 from the Foundation and \$296,959 from open settlement funds noted in Observation #1, eliminated JKHH's deficit balance.

Recommendations:

- A. JQH/JKHH staff work with Financial Services Staff to develop a realistic budget of all anticipated revenues and expenses, and discontinue recording revenue as a negative expense.
- B. Transfer advertising and sponsorship revenue paid to the Foundation for JKHH events annually to coincide with amounts budgeted. Or, if University officials intend to leave the advertising and sponsorship revenue in the Foundation (which is appropriate), these projections should be removed from the JKHH operating budget.

Management Response:

The Chief Financial Officer provided the following responses:

Financial Services and JQH/JKHH agree with the recommendation and have implemented the following:

- A. *Financial Services and JQH/JKHH agree that staff working shows will no longer be charged out to the shows and will be recorded at the JQH/JKHH Fund level. Budgets will be adjusted to reflect this change and estimated show net revenue will be budgeted.*
- B. *Financial Services and the Foundation will implement as part of the year-end closing process to transfer advertising and sponsorship revenue.*

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

- A. *JQH/JKHH staff will review staffing and other budget line items and adjust accordingly. We will also discuss with Financial Services staff and Payroll staff the possibility of combining the student/temporary labor budgets from all athletic and entertainment facility budgets into one single student/temporary labor budget since these employees can work in multiple buildings doing a variety of tasks in a given day.*

3. Facility Fees and Handling Fees

The Board of Governors has approved a \$2 per ticket Facility Fee on all non-Missouri State University events held at Hammons Student Center, JQH and JKHH. Handling fees include fees, such as internet fees, or credit card fees added to the prices of certain tickets. Our review notes some areas where accounting for these fees could be improved.

- A. All facility fee and handling fee revenue is recorded as earned revenue in the JKHH operating fund regardless of whether the fee was generated from JKHH or JQH. Additionally, the revenue for these fees are recognized as income at the time they are collected and closed into the fund balance

at the end of the year. These fees are not recorded as deferred revenue and recognized once the event is complete like other event revenue. Also, some of these fees are owed to the event promotor and are not event revenues for the University. For example, approximately \$71,000 in fees associated with the July 2017 Journey concert were shown as University revenue in fiscal year 2017; however, approximately \$33,000 of these fees were collected for the event producer and paid out in fiscal year 2018. As a result, none of the \$33,000 in fees were revenue for the JKHH Operating Fund, but were reflected as such in the University's June 30, 2017 financial statements. Additionally, the \$33,000 was closed into the fund balance at the end of fiscal year 2017 and therefore, was not actually available to cover the payment to the promotor that occurred in fiscal year 2018.

- B. After each event, the facility fee revenue for that event is transferred from the JKHH operating fund to the event settlement fund where sales tax is paid on it. The entire amount (**not** net of sales tax) is then transferred using a formula that allocates 50% to event income and 12.5% to miscellaneous income in the appropriate JQH or JKHH Funds, 25% to the Transit Fund, and splits the remaining 12.5% between two separate JKHH Ticket Surcharge fee revenue categories.

This creates numerous unnecessary accounting entries and because the entire amount (**not** net of sales tax) is redistributed, it leaves the sales tax expense to be covered by other event revenues. Additionally, there is no basis for splitting the fee among different revenue categories within the same fund when it is all closed into the fund balance at the end of each year.

Recommendations:

Consider simplifying the method of tracking and distributing the facility fee and the handling fee. This would include ensuring the fee is recorded in the operating fund of the proper venue (JQH/JKHH), ensuring the revenue is deferred until the event is held, ensuring the distribution is net of sales taxes paid, and determining if the allocation percentages are still applicable.

Management Response:

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

We will discuss the tracking and distribution of the JQH facility fee with Financial Services to determine if the current method can be simplified.

4. Parking Fees

Parking fees collected by a third party are not paid to the University timely, in compliance with contract terms. Through its procurement process, the University contracted with a third party to provide security services at events and to collect parking fees paid on the date of the event. The contract requires the contractor to provide a detailed accounting of the spaces sold and monies collected for each event and issue payment of parking fees collected to the University within **5 business days** of the event.

For shows held during fiscal year 2018 approximately **\$131,000** in parking fees were reported as collected by the contractor. However, payment of these fees to the University ranged from **39 days** to **280 days** (9 months) after the event. At no time did the contractor comply with the 5 business day payment term.

During this same period, the contractor submitted invoices to the University requesting payment for providing parking collection services at these events. JQH and JKHH personnel approved these invoices for payment without ensuring that parking fees owed to the University has been received. For example, \$10,390 in parking fees collected at the Journey concert on July 3, 2017 were not received by the University until November 29, 2017; however, the University issued a check to the contractor on July 31, 2017 for \$1,459 as compensation for collecting these fees.

Since parking fees are collected by the contractor in cash, there is no reason why these fees cannot be submitted to the University within 5 business days of the event. Slow payment from the contractor could be an indication of cash flow problems that would make it even more important for the University to receive payments from the contractor in a timely manner. In addition, invoices for security and collection services should not be paid until the parking fees collected for the event have been received.

Recommendation:

JQH and JKHH Administration should properly monitor and enforce the terms of the contract that require the contractor to provide payment for the parking fees collected within 5 business days of the event. In addition, payment for parking area security and collection services should not be made until the parking fees collected at the event have been received by the University.

Management Response:

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

The contractor has already been notified of this issue and that payment is expected per contract terms. Payment will not be made to the contractor until parking revenue is received. There is one year remaining on this contract and a Request For Proposal will be issued during fiscal year 2020 for future services.

5. Merchandise Sales at Events

The University's agreements with event promoters often require the University to provide staff to sell merchandise (t-shirts, souvenirs, etc.) at events. The University uses the same contractor who provides event security and collects parking fees to provide staff to sell merchandise; however, this service is not documented in the existing contract.

According to promotor agreements, the merchandise sales revenue collected at each event is split between the University and promoter. The University then has verbally agreed to allow the security/parking contractor to retain one-third of the University's share of merchandise revenue in exchange for providing all sales personnel and being responsible for any merchandise or cash losses. However, without a contract it isn't clear who would be responsible should a significant loss occur.

Additionally, the contractor retains their compensation from sales revenue and issues a check to the University only for the balance. As a result, the compensation for the contractor is not documented in University records and not included on the Form 1099 issued to the contractor at year-end. Further, payments to the University often occur many months after the event similar to the concern noted in Observation #4 above on delinquent parking revenue. For example, of the \$39,590 owed to the University for fiscal year 2018 events, \$15,707 was received 3 to 5 months after the event.

Recommendation:

If the University intends to continue to use this contractor to sell merchandise for the promotor, then JQH/JKHH administration should consult with the University's General Counsel regarding a contract that addresses merchandise/cash losses, compensation, timely payment to the University, and tax reporting.

Management Response:

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

We will discuss with General Counsel and proceed as necessary.

6. Sales Tax

Instances were noted where the University did not accurately calculate and pay sales taxes on entertainment event revenues. While the audit did not include a review of every event at JQH or JKHH, the two charts below show only the significant sales tax over and underpayments noted during the audit.

Sales Taxes Overpaid

Event	Duplicate Sales Tax Payment	Sales Tax paid on Nontaxable Revenue	Total Sales Tax Overpayment
Nitro Circus	\$ 2,796	79	2,875
Miranda Lambert	1,644	190	1,834
James Taylor	1,522	0	1,522
Brad Paisley	1,942	0	1,942
Jeff Dunham	3,887	0	3,887
Globe Trotters	3,235	74	3,309
Paparazzi Accessories	0	1,491	1,491
KTTS Show	0	1,013	1,013
Luke Bryant	0	530	530
	<u>15,026</u>	<u>3,377</u>	<u>18,403</u>
	\$		

The overpayment of sales tax was typically caused by including some ticket sales revenue in more than one monthly sales tax calculation or including nontaxable revenue in the sales tax calculation. As noted in Observation #1 the use of settlement funds to track revenue and expenses of each event does not provide adequate detail of the entries posted. Thus, making it difficult for Financial Services employees to properly determine taxable revenue. Also, miscommunication between JQH/JKHH staff and Financial Services also caused some duplicate payments.

Unpaid Sales Taxes

Event	Unpaid Sales Tax Amount
Ozarko	\$ 1,738
Rent, Broadway Series	8,909
FY 2017 Facility Fees	5,280
	<u>15,927</u>
	\$

The underpayment of sales tax was caused by not recording some income as taxable income.

Recommendation:

Financial Services should review their procedures for determining taxable revenue and calculating sales tax to ensure sales taxes are accurately calculated and paid. Working more closely with JQH/JKHH staff when determining taxable revenue would be beneficial.

Management Response:

The Chief Financial Officer provided the following responses:

Financial Services and JQH/JKHH have agreed to establish a separate settlement account to be used to record all nontaxable deposits for each show. Cash deposits to the Bursar’s Office will reflect this new settlement account for nontaxable deposits. The entries will be reviewed as we implement the process to ensure the settlement account is utilized. The settlement accounts will be consolidated for reporting purposes so all transactions can be easily reviewed in one report.

7. Nonresident Entertainers Tax

The State of Missouri requires that any entity that pays compensation to a performer who is not a Missouri resident (nonresident entertainer) withhold Missouri income tax in an amount equal to 2% of the total compensation for entertainment performed in Missouri. The University is responsible for submitting a list of promoters renting it’s facility for a performance (including the entertainer’s name) on a quarterly basis to the DOR, and can be charged penalty and interest if the tax forms and amounts due are not filed in a timely manner.

Our review of fiscal year 2018 events identified six events with Missouri Entertainers tax totaling \$27,554 that was withheld but not submitted to the Missouri Department of Revenue. When we asked Financial Services about the \$19,957 owed for Phantom of the Opera, the form and payment was immediately submitted. The Director of Accounting explained that payment had been overlooked because JKHH had not sent the backup documentation for the settlement check written to the promoter and the tax forms needed to file with the payment.

Nonresident Entertainers Tax Owed

Event	Event Date	Amount
Rent-Broadway Series	October 2017	\$ 2,319
Kari Jobe	November 2017	446
Rudolph	December 2017	115
Sound of Music	January 2018	3,302
Kinky Boots	March 2018	451
Heatherland	June 2018	964
Phantom of the Opera*	June 2018	<u>19,957</u>
		\$ <u><u>27,554</u></u>

*Paid in December 2018 after Internal Audit notified Financial Services personnel.

Recommendations:

Financial Services staff and JQH/JKHH staff should work more closely together to ensure all the proper nonresident entertainers’ tax forms are completed and the taxes are paid.

Management Response:

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

JQH/JKHH staff will work closely with Financial Services staff to ensure the nonresident entertainer's taxes are paid.

8. Disbursement Controls:

Both JQH and JKHH have a checkbook to use when an immediate payment is required for an event and there is no time to process the payment through Financial Services. Our review of these disbursements noted some areas where improvement is needed.

- Two companies routinely used for stage labor were paid over \$425,000 during fiscal year 2018 with this checkbook. Since these payments don't go through the University's Procurement Services, these services are not bid and there is no contract for these services. University policy requires the solicitation of bids for purchases over \$25,000.
- Instances were noted where immediate payment was not required and the payment could have been processed through Financial Services. For example, \$7,931 paid to the Springfield Symphony for March, April and May 2018 performances was not paid until June 2018.
- Actual invoices and copies of promoter settlements for JKHH events are not always sent to Financial Services to support payments made from the JKHH checkbook and to be scanned into the Banner accounting system for record retention.

Recommendations:

1. JQH and JKHH staff should work with Procurement Services and the University's General Counsel to solicit bids for and contract with stage labor vendors.
2. JQH and JKHH staff should only use the checkbook for disbursements requiring immediate payment. All other payments should go through the University's normal payment process.
3. Financial Services should require the same documentation for payments from the JKHH checkbook as they do from payments going through the University's normal payment process. Copies of invoices and settlement statements should be provided and scanned into Banner.

Management Response:

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

1. *We will discuss this with Procurement Services and General Counsel and proceed as necessary.*
2. *We will only utilize our checkbook to write checks within 10 business days of an event. Anything requiring payment after this period will be submitted to Financial Services for processing.*
3. *We have already instituted sending a copy of the check, invoice, settlement, W-9, etc. for any check written.*

9. Cash and Other Accounting Controls

A. Cash Controls

Better cash controls are needed over payments received from promoters and other entities renting JQH and JKHH. Currently, an invoice for rent and event expenses is prepared and sent with instructions to remit payment to JQH/JHHH. When the payment is received, it goes to the person responsible for preparing the invoice and maintaining the accounts receivable records. University Operating Policy 8.04 requires the duties of cash receipt and maintaining the accounting records be separated. For proper segregation of duties consideration should be given to requiring payment to be made to Financial Services.

Additionally, when these payments are received at JQH and JKHH, the University's official prenumbered receipt slips are not issued. University Operating Policy 8.04 also requires official prenumbered receipt slips to be issued for all monies received. These receipt books can be obtained from the Bursar's Office. If the staff at JQH and JKHH continue to receive payments from promoters and other entities, receipt slips should be issued in compliance with University policy.

B. Tracking Receivables

A better method of tracking amounts owed by promoters and other entities who rent JQH and JKHH is needed. Our review noted some instances where payments owed to the University had not been followed up on by staff to ensure they were paid timely. For example, an April 2017 event held by the Springfield Symphony totaling \$200 was not paid until September 2018 when we brought this to JKHH staff attention. Additionally, \$22,388 due from the Student Activities Council for an April 2018 concert was not paid until we inquired about the amount owed in September 2018. Delinquent payments were also noted with parking and merchandise sales revenue as discussed in Observation #4.

JQH and JKHH staff should ensure amounts owed are collected timely. Financial Services staff and JQH and JKHH staff should work together to develop an accounts receivable record that is properly tracked for timely payment to the University.

Recommendations:

- A. Segregate duties and issue official prenumbered receipt slips in compliance with University policy.
- B. Financial Services staff and JQH/JKHH staff work together to properly track and collect amounts owed to the University.

Management Response:

The Senior Associate Athletic Director, Athletics and Entertainment provided the following response:

- A. *The Executive Director, Associate Director(s) and the Box Office Manager will all be involved in the show settlements to ensure duties are segregated and monies are collected in a timely fashion.*
- B. *JQH/JKHH staff will work with Financial Services staff to develop a better accounts receivable record.*

JQH Arena
Revenue, Expenses and Change in Net Position
Year Ending June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATIONS:			
(1) EVENTS AND RENTALS	\$ 1,147,494	\$ 604,343	\$ 407,464
CONCESSION SALES	72,481	59,626	65,089
REVENUE - EVENTS	1,219,975	663,969	472,553
FACULTY AND STAFF SALARIES	216,528	202,279	176,315
STUDENT AND PART-TIME WAGES	246,961	140,494	158,861
EMPLOYEE BENEFITS	98,394	89,074	80,540
(2) UTILITIES	-	-	-
TRAVEL	644	335	210
SUPPLIES	110,845	118,899	89,370
SERVICES	49,443	1,984	46,837
OTHER EXPENSES	32,145	34,855	35,657
(3) EXPENSES - EVENTS & FACILITY OVERHEAD	754,960	587,920	587,790
OPERATING INCOME (LOSS)	465,015	76,049	(115,237)
NON-OPERATING REVENUES/TRANSFERS:			
STUDENT FEES	469,607	473,283	457,886
JQH ARENA GIFTS	1,823,843	1,826,261	1,825,413
JQH SEAT ASSESSMENT	959,500	974,500	1,091,000
AUXILIARY 2007 - Debt Service Transfer	(3,860,331)	(3,865,431)	(3,853,033)
PSC/HSC TO JQH ARENA-OPER	572,000	163,000	163,000
CAPITAL PROJECT TRANSFERS	-	3,511	(21,363)
NET NON-OPERATING (LOSS)	(35,381)	(424,876)	(337,097)
CORRECTION FOR PRIOR YEAR SHOWS	(77,996)	-	-
FROM HSC TO BALANCE FUND	-	1,408,000	-
FROM PRESIDENT'S ENHANCEMENT FUND	-	-	133,000
INCREASE (DECREASE) IN NET POSITION	\$ 351,638	\$ 1,059,173	\$ (319,334)
CHANGE IN NET ASSETS			
BEGINNING NET ASSETS:	865	(1,058,308)	(738,974)
NET CHANGE IN POSITION:	351,638	1,059,173	(319,334)
ENDING NET ASSETS:	\$ 352,503	\$ 865	\$ (1,058,308)

NOTES:

- (1) Includes \$77,996 from prior year events that had not been closed out at year-end. Does not include ticket receipts from Intercollegiate athletic events.
- (2) Utilities are paid by the University.
- (3) Includes direct non-athletic event expenses and facility overhead.

Juanita K. Hammons Hall for Performing Arts
Revenue, Expenses and Change in Net Position
Year Ending June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATIONS:			
(1) EVENTS AND RENTALS	\$ 1,019,522	\$ 233,341	\$ 463,431
HANDLING CHARGES	113,899	333,049	161,615
CONCESSION SALES	36,240	29,813	32,545
MISCELLANEOUS	18,300	2,500	24,703
REVENUE - EVENTS	1,187,961	598,703	682,294
FACULTY AND STAFF SALARIES	512,946	542,851	533,964
GRADUATE ASSISTANT WAGES	8,772	8,818	-
STUDENT AND PART-TIME WAGES	272,809	262,806	216,786
EMPLOYEE BENEFITS	192,393	200,575	190,830
UTILITIES	130,649	168,180	162,452
TRAVEL	1,787	3,690	19,760
SUPPLIES	40,988	34,796	54,923
SERVICES	283,668	133,708	96,920
OTHER EXPENSES	28,708	(83,260)	56,145
(2) EXPENSES - EVENTS & FACILITY OVERHEAD	1,472,720	1,272,164	1,331,780
JKHH TO TRANSIT-PARKING	(30,000)	(30,000)	(30,000)
ATHLETICS TO JKHH-TICKET SERVICE	25,000	25,000	25,000
HSC/PSC TO JKHH-TICKET SERVICE	60,000	60,000	60,000
OPERATING TRANSFERS	55,000	55,000	55,000
OPERATING INCOME (LOSS)	(229,759)	(618,461)	(594,486)
NON-OPERATING REVENUES/TRANSFERS:			
STUDENT FEES	36,226	36,438	35,766
INVESTMENT INCOME	17,473	3,166	2,924
UNIVERSITY OPERATING FUND TO JKHH	355,000	400,000	400,000
OTHER INTERFUND TRANSFERS	50,000	50,000	50,000
NET NON-OPERATING INCOME	458,699	489,604	488,690
ADJUSTMENTS			
(3) CONTRIBUTIONS FROM FOUNDATION	365,000	-	-
CORRECTION FOR PRIOR YEAR SHOWS	177,706	-	-
TOTAL ADJUSTMENTS	542,706		
INCREASE (DECREASE) IN NET POSITION	\$ 771,646	\$ (128,857)	\$ (105,796)
CHANGE IN CARRYFORWARD			
BEGINNING CARRYFORWARD	(460,726)	(331,868)	(226,072)
NET CHANGE IN POSITION	771,646	(128,857)	(105,796)
ENDING CARRYFORWARD	\$ 310,920	\$ (460,725)	\$ (331,868)

NOTES

15

- (1) Fiscal year 2018 includes revenue totalling \$119,251 from prior year events that had not been closed out.
(2) Includes direct event expenses and facility overhead expense.
(3) Includes gifts and event sponsorships paid to the Foundation from fiscal year 2014 through 2018.