



***Review of West Plains
Drago College Store Inventory
And Campus Cash Counts***

September 30, 2019

Office of Internal Audit and Risk Management



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

DATE: September 30, 2019

TO: Sharon Holland, Drago College Bookstore Manager
Christina Kerley, Accounting Manager- West Plains Business Office
Dr. Angela Totty, Dean of Student Services – West Plains
Scott Schneider, Director of Business and Support Services

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

CC: Dr. Shirley Lawler, Chancellor – West Plains
Clifton M. Smart III, University President

**REVIEW OF WEST PLAINS DRAGO COLLEGE STORE INVENTORY
AND CAMPUS CASH COUNTS**

BACKGROUND

On April 30, 2019, Internal Audit reviewed the annual physical inventory at the West Plains campus Drago College Store, performed unscheduled cash counts and reviewed cash controls at various cash collection points on the West Plains campus.

OBJECTIVE AND SCOPE

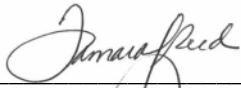
The objectives were to evaluate the accuracy of the Drago College Store inventory, account for cash funds assigned to various campus locations, and assess the adequacy of internal controls over cash receipts. The scope of the audit included but was not limited to the fiscal year ended June 30, 2019.

SUMMARY

No significant differences were identified during inventory testing and the Bookstore's inventory shrinkage rate was well below the national average.

The Bookstore's sales revenue continues to decrease which has resulted in a net loss for fiscal year 2019. Management should continue to closely monitor revenue and expenses as the profit margin for course materials continues to tighten. Further, the collaboration between Bookstore management and University administration should continue to focus on increasing the Bookstore presence on the university campus and individual departments.

Cash counts were performed at various locations across campus with no exceptions noted. The University should continue to review cash collection sites to increase storefront utilization.



Senior Internal Auditor: Tami Reed
Audit Field Work Completed: August 26, 2019



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

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Bookstore Physical Inventory Review

Internal Audit observed and tested the annual physical inventory at the bookstore on April 30, 2019 with no significant exceptions. The inventory balance in Booklog, the point of sale system for the West Plains Drago College Store, was \$155,695 (wholesale cost) at June 30, 2018. The University's Banner accounting system inventory balance for the Bookstore was \$159,011, resulting in a difference of only \$3,316 or 0.80% of retail sales. Historically, the National Retail Security Survey Final (NRSSF) shrinkage percentage has been used as a benchmark. The NRSSF reported the national shrinkage average was 1.38% of retail sales. The year-end shrinkage was well below that average.

During fiscal year 2019, the Bookstore Director performed monthly reconciliations between Booklog and Banner and analyzed any differences on a timely basis.

Recommendation

None.

2. Bookstore Income

In fiscal year 2017, the West Plains Drago College Store began to experience decreases in sales which have continued through fiscal year 2019.

		For the Years Ended June 30,			
		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Sales	\$	835,150	759,179	672,666	640,445
Expenses*		<u>716,491</u>	<u>685,482</u>	<u>629,003</u>	<u>670,150</u>
Income (Loss)	\$	<u>118,659</u>	<u>73,697</u>	<u>43,663</u>	<u>(29,705)</u>

*Does not include the annual transfer of \$78,320 to the operating fund.
Detailed financial statements presented at the end of this report.

During fiscal year 2019, the Drago College Store moved to a new location in Hass-Darr Hall in the center of campus. As a result of this move, the bookstore incurred additional costs including new office furniture, updated computers and other associated costs that increased their expenses in fiscal year 2019, resulting in a loss.

The campus continues to work diligently and collaboratively with faculty to provide textbook materials that are both accessible and affordable for students. Moving to online materials and less expensive loose-leaf textbooks reduce costs for students but also produce less revenue for the bookstore. Additionally, the decrease in student enrollment at West Plains results in a lower customer base.

In compliance with the Higher Education Opportunity Act (HEOA), the Chancellor, Dean of Student Services and the Dean of Academic Affairs are working with the Bookstore Manager to provide course materials to students through the Bookstore. This not only meets HEOA directives, but provides students a means to utilize the student's account receivable system until their financial aid is received and applied. Continued support by administration will allow the Bookstore to be a contributing function for the university.

Recommendation

Bookstore management should closely monitor sales revenue and store expenses as profit margins continue to tighten as the demand for online and other lower cost course materials increase. The

Bookstore's collaboration with university administration should continue to focus on increasing the Bookstore presence on the university campus and individual departments.

Management Response

Bookstore management will continue to gather monthly sales/expense reports to review current year in comparison to previous year information. Areas identified as concerning will be provided through supervision for further review. Bookstore management is investigating all opportunities for new delivery options such as book rental programs that would reduce textbook purchases, decreasing expenses. Current rental program operating in Springfield will be reviewed to determine the potential impact for the Drago College Store. A review of policy changes that could increase the student usage of the Drago College Store by students is underway to determine the impact both by the Store and the University. Both the Dean of Academic Affairs and the Dean of Student Services will be requesting faculty, staff and other members of the campus community to utilize the Drago College Store. Additionally, an explanation of the potential risk to the university when faculty are not compliant with HEOA will be provided.

3. West Plains Campus Cash Counts

In conjunction with on-campus inventory tests, unscheduled cash counts were performed, as well as a review of cash controls. Assigned cash funds are at the following campus locations:

Location/Office	Cash Assigned
Business Office	\$400.00
Library	102.00
Civic Center	85.00
AACCESS	100.00
Friends of the Library	100.00
Drago College Bookstore	700.00
Food Service	75.00
Mountain Grove	25.00
Total E&G and Auxiliary Funds	\$1,587.00

Our review included cash counts at the Business Office, Friends of the Library, and the Drago College Bookstore. All funds counted were verified with no exceptions.

West Plains campus has established some storefronts to receive electronic payments of dorm deposits on the West Plains campus and testing fees on the Mountain Grove campus. The increased use of storefronts will improve controls over the collection of fees and reduce the risks associated with cash collections in various areas on the West Plains campus. Continue to review cash collection sites in an effort to increase storefront utilization.

Recommendations

Review all areas of cash collections, especially remote collections, for the option of a storefront.

Management Response

Automation of fund collections assists the campus in the areas of fund reconciliation and risk management. These systems create a log of activity that can be traced back to its origin should issues arise at any point during the transaction process. All areas that currently accept cash will be regularly reviewed and assessed to determine if implementing a storefront is practical. Continued monitoring and review of current storefronts will help guide future implementations.