



Audit Follow-Up Report

February 19, 2020

Office of Internal Audit and Risk Management



Missouri State[™]

U N I V E R S I T Y

DATE: February 19, 2020

TO: Dr. Frederick D. Muegge, Director of Health & Wellness Services
Benjamin Hunt, Employee Wellness Coordinator
Cole Pruitt, Transportation Manager
David Hall, Director University Safety
Brad. B. Kielhofner, University Engineer and Director of Facilities Management
Michael E. Klem, College of Agriculture Coordinator Facilities Maintenance and Support
Mike M. Wills, Director of Procurement
Scott Schneider, West Plains Director of Business and Support Services
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Dr. Steven Capps, Director, Learning Diagnostic Clinic
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CC: Dr. Dee Siscoe, Vice President for Student Affairs
Matthew D. Morris, Vice President of Administrative Services
Dr. William P. Deal, Department Head, Psychology
Dr. Mark A. Smith, Dean, College of Health and Human Services
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Dr. Ronald P. Del Vecchio, Dean of College of Agriculture
Rachael Dockery, General Counsel
Dr. Frank Einhellig, Provost
Clifton M. Smart III, University President

FROM: Donna Christian, Director of Internal Audit and Risk Management
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AUDIT FOLLOW-UP REPORT

BACKGROUND

The Office of Internal Audit and Risk Management has completed review procedures to follow up on six audit reports issued between November 29, 2017 and October 4, 2018, and 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 six 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 six audit reports included 56 recommendations of which 45 recommendations are implemented, 10 recommendations are in progress of implementation, and one recommendation is no longer applicable.

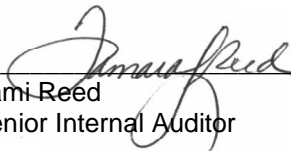
The Office of Internal Audit and Risk Management applauds University management on the action taken to address each recommendation.



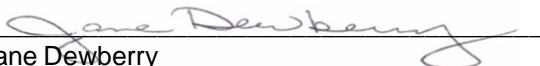
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Field Work Completed: February 7, 2020

SUMMARIES, RECOMMENDATIONS AND STATUSES

MSU Employee Wellness Program November 29, 2017

1. Financial Management of Wellness Funds

The financial management of the \$175,000 annual appropriation for employee wellness needed improved. The excessive costs and low participation levels associated with several classes resulted in the inefficient use of wellness funds.

Recommendation:

Determine the cost to offer a class, a fee per participant and a target participant level that will result in an efficient use of wellness funds. If the target participant level is not reached, the class should be cancelled and the wellness funds redirected to another class.

Status:

Implemented. The Employee Wellness Program has established participation and cost goals for each class and these metrics are documented to ensure efficient use of wellness funds.

2. Wellness Program Development

The University's Wellness Program was not strategically designed to address the health care risks of University employees, and was not achieving the desired participation level.

Recommendation:

Take action to make the Employee Wellness Program more successful by strategically designing the program to reduce health care costs, improve employee health and increase participation.

Status:

Implemented. Actions taken by the Employee Wellness Program include better tracking of participation, allowing registration through the University's My Learning Connection system, offering new classes, establishing a 15-member Wellness Committee, establishing an electronic newsletter, and expanding activity space. These actions have helped to increase participation in the program.

3. Revenue Accountability

The audit noted several instances where individuals attended wellness classes, but did not pay the fee or use their non-credit fee waiver benefit, which resulted in \$6,909 of lost revenue. The audit also noted overcharges totaling \$966 and wellness revenue of \$820 incorrectly recorded as clinic revenue.

Recommendation:

Institute reconciliation procedures for each wellness class that compare class rosters to payment records to ensure all class participants pay class fees. Also, steps should be taken to collect the \$6,909 in unpaid Weight Watcher fees and reimburse the \$966 in Weight Watcher fee overcharges. Additionally, \$820 should be transferred from the Health Center Fund to the Employee Insurance Fund to correct the revenue recording error.

Status:

Implemented. The Employee Wellness Program has established class rosters which are used to reconcile payments. In addition, all required transfers, reimbursements, and payments were completed shortly after the completion of the audit.

4. Wellness Program Procedures

- A. Attendance records were not maintained for wellness classes prior to the Spring 2017.
- B. The Employee Wellness Program did not require proof of liability insurance for independent contractors providing fitness classes.
- C. It is not clear that risk assessment data was used to establish wellness programs that were specifically targeted toward the health risks identified in the assessment.

Recommendations:

- A. Maintain attendance records for all wellness classes. Provide instructors with a class roster to use as a sign-in sheet so that they know who has enrolled in their classes. The instructor should send the names of those not on the roster to the Wellness Coordinator so he can contact them and get them properly enrolled. In addition, utilize attendance records when determining future class offerings.
- B. Require proof of liability insurance coverage from independent contractors hired to teach employee fitness classes. The University's General Counsel should be consulted when determining the appropriate level of coverage needed.
- C. Before the May 2018 contract renewal date, determine if the HRA data can be better utilized to target wellness class offerings and market wellness activities, or if an in-house HRA would be more cost efficient and useful.

Statuses:

- A. **Implemented.** Instructors use sign-in sheets and ensure participants are accurately recorded. These sheets are then sent to the Wellness Coordinator who tracks overall participation rates.
- B. **Implemented.** Proof of liability coverage is being obtained and filed with other class documents.
- C. **Implemented.** The University's contract for HRA services was discontinued and the medical plan contractor now provides this service at no cost to the Employee Wellness Program. This not only eliminates the annual expense associated with previous services used, but also ensures data collected can be utilized for wellness activity planning and marketing.

5. Wellness Program Expenses

- A. Documentation was not maintained by the Dietitian showing the amount of time worked on each wellness class to allow this additional payroll expense to be allocated to the appropriate class.
- B. In 2016, \$11,043 was paid from Employee Wellness Fund for office furniture. This is not a direct cost of the program or a benefit allowed in the University's Health Insurance plan document.

Recommendations:

- A. The Employee Wellness Coordinator should require the Dietitian to maintain adequate documentation of the time spent on each wellness class so the costs can be allocated to the appropriate class. Additionally, consideration should be given to utilizing the Employee Wellness Coordinator to teach classes in an effort to maintain efficiency.

- B. Transfer \$11,043 from the Health Center Funds to the Employee Wellness Fund to reimburse the cost of the furniture.

Statuses:

- A. **Implemented.** The Dietitian is now required to provide a detailed description of services rendered which is used to allocate related expenses to respective wellness activities. This employee continues to serve in an administrative role, but no longer teaches classes.
- B. **Implemented.** This transfer was completed in 2018.

6. Student Participation in Employee Wellness Programs

Approximately \$7,953 in Employee Wellness Funds were used to pay for student participation. Student Wellness Funds should have been used for these costs. Additionally, the Employee Wellness Fund paid costs for employee and student joint classes rather than sharing the costs appropriately.

Recommendation:

Reimburse the estimated \$7,953 expense for students wellness costs paid with Employee Wellness Funds. In the future, any joint activities between Employee and Student Wellness should be shared appropriately.

Status:

Implemented. Funds were reimbursed in 2018. Joint activities are no longer offered; however, guidelines were established for proper allocation in the event a joint activity is developed in the future.

University Vehicles and Fuel Usage
November 29, 2017

1. Springfield Campus Motor Pool

- A. The University's Department of Safety and Transportation had not reviewed rates for Motor Pool vehicles since 2013.
- B. The University's Department of Safety and Transportation had not reviewed fleet usage by vehicle type to determine if the vehicle demand matches the supply of vehicles available.

Recommendations:

- A. Review motor pool rental rates and determine if rates could be set at a more competitive level.
- B. Review motor pool vehicle fleet usage periodically to ensure the demand for each vehicle type is appropriate for the supply available. Also, vehicles with no or low usage should be reviewed periodically for possible surplus.

Statuses:

- A. **Implemented.** Motor pool rates have been reviewed and a new rate structure is in place.
- B. **Implemented.** Motor pool operations have been reviewed and restructured. In this restructuring, all cars were eliminated or repurposed, and 18 vans now comprise the entire fleet. A review of usage found all these vans are used regularly; however, we did note that 14 of the 18 vans are now

10 years old or older and 12 of the 18 vans have near or more than 100,000 miles. Motor pool personnel are currently looking into options for replacement.

2. Departmental Automobiles, Trailers, ATV/UTV/Golf Carts

- A. Departmental usage logs were not always maintained, or when maintained, some were not always complete and accurate. Additionally, vehicle mileage was not always reported in the University's tracking system.
- B. Asset lists maintained by both motor pool and property control were incomplete and sometimes inaccurate. Additionally, annual physical inventories were not performed as required.
- C. The College of Agriculture had not evaluated the use and necessity of automobiles, trailers, and ATV/UTV/golf carts owned (including items held as scrap).
- D.1. There was no criteria for University departments to use when determining which assets should have comprehensive and collision insurance. Approximately 100 University owned automobiles and trailers qualify, but were not covered by comprehensive and collision insurance, and 60 ATV/UTV/Golf Carts had no insurance coverage for physical damage outside of the University's property insurance, which had a deductible of \$100,000.
- D.2. University ATV/UTV/Golf carts were not always noticeably tagged as property of the University.

Recommendations:

- A. In compliance with University Operating Policy 9.04, all departments should ensure departmental usage logs are maintained in a complete and accurate manner, and mileage and maintenance are reported to the web-based motor pool and vehicle tracking system on a monthly basis.
- B. Complete annual physical inventories as required by policy and state law. Upon completion of the inventory, motor pool and property control should reconcile their lists to ensure both are complete. Both Motor Pool and Property Control staff should also ensure assets are correctly recorded into the system, with sufficient identifying information such as make, model, year of manufacture, and serial number or VIN.
- C. The College of Agriculture should perform a review of all automobiles, trailers, ATV/UTV/golf carts and consider proper disposition of assets that are no longer in use.
- D.1. The Office of Procurement Services establish a set of criteria for determining which University owned vehicles, trailers, and ATV/UTV/golf carts should be insured against physical damage.
- D.2. Motor Pool should more clearly mark ATV/UTV/golf carts as owned by the University.

Statuses:

- A. **In Progress.** Motor Pool currently makes contact with departments who are not reporting vehicle information into the tracking system annually. Upon request, all needed information is received. In the future, requests for vehicle information will be combined with the approval of monthly fuel card billings to ensure departments comply with the monthly requirement.
- B. **In Progress.** Procedures have been developed to reconcile lists of vehicles held by Property Control and Transportation Services on a semi-annual basis. These reconciliations have identified differences, which were then corrected. However, no physical inventory has been completed by Property Control. Property Control plans to complete a physical inventory in the coming year.

C. **In Progress.** The College of Agriculture has sent five items to surplus property and has continued to review the use and lifespan of other items. Our review of current assets found the college owned 45 trucks, heavy-trucks, and vans, 14 trailers, and 17 ATV/UTV/golf carts.

D.1.**Implemented.** The Office of Procurement Services established criteria and worked with Departments to ensure assets are properly insured. As a result, 37 UTVs were added to the current insurance coverage.

D.2.**Implemented.** Tags are now affixed to ATV/UTV/golf carts.

3. Voyager Fuel Cards and Bulk Fuel Tanks

A. The duties of fuel card activation or deactivation; issuance or retention; billing reconciliation, allocation and approval; and tracking were not segregated.

B. University departments did not receive a copy of the monthly fuel credit card statement to allow for reconciliation and approval of departmental receipts and charges.

C. The University had more active fuel credit cards than necessary, and some credit limits were unnecessarily high, creating excess liability and increasing risk of loss.

D. The master list of all fuel credit cards maintained by motor pool contained some inaccuracies.

E. Some bulk fuel usage was not tracked.

Recommendations:

A. Segregate the duties of activation, issuance, reconciliation, allocation, approval and maintenance of fuel cards to ensure one person cannot issue themselves a card and allocate the cost to any department without the need for supervisory or secondary approval.

B. Safety and Transportation should develop procedures to provide University departments with a copy of their portion of the Voyager fuel credit card statement, and obtain confirmation from University departments that statement charges agree with individual credit card receipts.

C. Review the purpose and credit limit of each active fuel credit card at least annually. If the card is not necessary, cancel the account and destroy all associated cards. If credit limits are excessive or insufficient, adjust as necessary.

D. Ensure the master list of fuel cards is complete and accurate.

E. The College of Agriculture should establish procedures to track bulk fuel usage at all locations.

Statuses:

A. **In Progress.** The Transportation Manager now reviews all invoices and signs off on the payment request form. To further mitigate risk, the department plans to shift card activation and destruction duties to another employee.

B. **In Progress.** Sufficient action had not been taken to implement this recommendation prior to our follow up review. The Transportation Manager and Administrative Assistant now have developed a plan to send pertinent information from the monthly fuel statement to the responsible cardholders. On January 31, 2020, the December 2019 fuel card information was sent to departmental staff. In the future, this information will require approval from each department before payment of the billing is requested.

- C. **Implemented.** Credit limits and fuel card lists are reviewed periodically. All cards issued to trailers were cancelled and destroyed. Total active fuel cards has been reduced by 69 cards, resulting in a liability reduction of \$70,000.
- D. **In Progress.** Sufficient action had not been taken to implement this recommendation prior to our follow up review. We found 37 inactive cards still included in the master list, 10 active cards not included in the master list, and 4 card numbers incorrectly listed on the master list. Upon notification of these differences, the Administrative Assistant made necessary changes and the Transportation Manager has established a quarterly review process to ensure this list is kept more accurate.
- E. **Implemented.** Bulk fuel usage is now tracked at three of the four agriculture locations. The other location began tracking fuel usage on individual vehicle logs instead of using a fuel log to track all fuel additions and usage. In addition, this information is not used to ensure the accuracy of fuel billings. Additional procedures should be implemented to provide logged fuel usage to the Accounting Specialist who processes the fuel invoices for payment and reconcile fuel usage and purchases.

4. West Plains Campus Motor Pool

Expenses related to trucks used for physical plant operations were charged to the fund used to track motor pool vehicle expenses.

Recommendation:

Charge only motor pool related expenses to the West Plains Motor Vehicle Services Fund then monitor the activity in this fund to determine the economy and efficiency of the motor pool operations.

Status:

Implemented. A review of expenses incurred between July 1, 2018 and December 31, 2019 found only motor pool related expenses are now being charged to the West Plains Motor Vehicle Services Fund. As a result of this and other changes made to the motor pool operations, motor pool operating revenue has covered related direct expenses during the first six months of fiscal year 2020.

Athletic Procurement Card Transactions And Other Expenses February 23, 2018

1. Traveling Expenses for Outside Parties

A-F A review of select athletic trips identified several instances where expenses for outside parties had been paid with University monies and no reimbursement was received. In addition, the audit noted some travel expense settlements where not completed or filed in a timely manner.

Recommendations:

- A. Request **\$2,362** from the Volleyball Coach for reimbursement of excess airline tickets to Hawaii. University expenses and booster/family expenses should be kept separate. If it is desirable for a large group of booster/family members to travel with the University's traveling party, consideration should be given to using a travel agent for the individuals not associated with the University. Additionally, a timely, complete and detailed settlement of each trip should be prepared to document that the University is paying for expenses associated with only the official traveling party.

- B. Request immediate reimbursement of **\$1,495** for the guest traveler to the Bahamas. In the future, the University should be reimbursed at the time, or prior to, costs incurred.
- C. Each athletic employee traveling to the Bahamas should reimburse the University their respective portion of the **\$1,050.84** total for costs incurred for family members.
- D.
 - 1. Obtain reimbursement of the **\$2,833** for costs paid by the University for family members traveling to Florida.
 - 2. Continue to work to obtain a refund of the **\$710** overpayments to the hotel in Florida, and in the future review contract terms and billings in detail before payment is made.
- E. The men's basketball coaches should reimburse the University **\$960** in NABC conference expenses for their spouses.
- F. Ensure the University's Operating Fund receives reimbursement of the **\$913** from the Foundation.

Statuses:

A-F. **Implemented.** Recommended reimbursements were completed in February 2018.

2. Football Preseason Housing Expense

During the 2017 preseason football practice summer session, coaches and administrators made the decision to place the football student athletes in off campus apartments rather than in the University dorms costing the University an extra \$8,550.

Recommendation:

In the future, a cost analysis for housing should be performed. In a situation with equal or similar costs, preference given to on-campus living in order to keep funds on campus.

Status:

Implemented. Preseason housing is now provided through University dorms.

3. Men's Basketball Meals Paid in Excess of Policy Maximums

The men's basketball personnel regularly exceeded the meal maximums established by University policy. In one trip reviewed, cash given to employees for undocumented meals exceeded the University's policy limit by a total of \$720.

Recommendation:

Athletic personnel for the men's basketball program need to stay within the established University policy limits for meal allowances by choosing more reasonably priced restaurants and tracking meal costs on the men's basketball travel log. Additionally, considerations should be given to requesting reimbursement of the \$720 in excess cash payments given to employees for meals.

Status:

In Progress. Sufficient action had not been taken to implement this recommendation prior to our follow up review. We reviewed two trips by the men's basketball team and noted that amounts paid for both employee meals and student athlete meals violated University policies. Moving forward, the Senior Associate Athletics Director and the Assistant Director of Athletics Compliance plan to meet with all coaching staff to discuss University travel policies, prepare a new employee handbook that addresses

administrative and compliance issues, and develop a new form to help track meals provided to coaches and student athletes. The \$720 was reimbursed to the University on February 22, 2018.

4. Procurement Card Procedures

- A. Sales taxes were paid on several purchases.
- B. Instances were noted where an athletic employee's p-card was used by a co-worker.
- C. Receipt imaging was not available for all purchases.
- D. Some items were shipped to the cardholder's personal address.

Recommendations:

- A. Request reimbursement for the sales taxes paid by the University on p-card purchases. In the future appropriate steps should be taken to avoid the payment of all sales taxes.
- B. Athletic p-card holders should not allow other employees to use their assigned p-cards.
- C. Scan documentation into the p-card system as required.
- D. Use the campus address for all deliveries.

Statuses:

- A. **Implemented.** No charges of sales taxes were noted during our follow up review.
- B. **Implemented.** Cardholders indicate that they no longer allow other employees to use their p-cards.
- C. **Implemented.** Documents are scanned into the system; however, in some instances the scanning did not occur timely.
- D. **Implemented.** Only one instance was noted during our follow up review where tennis supplies were shipped to the coach's address.

5. Miscellaneous Expenses and Reimbursements

- A. Two assistant men's basketball coaches routinely obtained reimbursement for meals outside of the time they were in travel status. Between July 2016 and September 2017 these two coaches were reimbursed \$253 for unallowed meals and should refund this amount to the University.
- B. An assistant men's basketball coach requested and received reimbursement for \$203 for a hotel room and \$26 for a rental car that was paid for by the University's p-card. Additionally, unallowable mileage was claimed at a time when a rental car was being used, totaling \$21. In total this coach owes the University \$250 for these duplicate expense reimbursements.
- C. Temporary housing costs totaling \$1,511 paid for a men's basketball assistant coach was not reported as taxable income and was not included in the employment contract.
- D. The university's athletic budget spent money on activities related to the Missouri State Foundation, but the athletic budget was not reimbursed by the Foundation.

Recommendations:

- A. Request reimbursement of \$253 for unallowable meals. In the future, ensure coaching staff understands that meals within an employee's domicile and during single day trips are not reimbursable by the University.
- B. Request reimbursement of \$250 for duplicate expenses.
- C. Ensure all temporary housing payments are provided to the University's payroll department for tax purposes. Using a single payment method for this expense may help facilitate compliance in this area. Additionally, ensure temporary housing benefit terms are included in employment contracts.
- D. Transfer \$3,600 from Foundation Funds to the University's athletic budget.

Statuses:

- A. **Implemented.** The \$253 was reimbursed to the University on February 22, 2018.
- B. **Implemented.** The \$250 was reimbursed to the University on February 22, 2018.
- C. **Implemented.** Temporary housing payments have not been provided to recent coaching hires.
- D. **Implemented.** Recommended transfers were made in February 2018.

Learning Diagnostic Clinic
February 23, 2018

1. Setting Clinic Fees

Fees for evaluation services and the Project Success program should also be analyzed to ensure revenue from the programs cover all costs associated.

Recommendation:

The LDC should review fees annually and establish fees at a level that balances the cost of services with the training value for graduate students as well as the service value to the community.

Status:

Implemented. According to Dr. Capps, Director, a review of direct and indirect costs and market research was performed to determine the new evaluation fee of \$500 for individuals in the community and \$400 for MSU students, faculty, staff and staff dependents. This fee schedule replaced the "sliding scale" fee schedule used prior. Project Success fees remained unchanged at \$1,800 per participant.

2. Operating Policy

References to fee amounts should be removed from within the University's operating policies. Instead, fees should be set as part of the annual fee schedule resolution approved by the Board of Governors.

Recommendation:

The LDC should update the operating policy to delete references to fee amounts, and instead include fee amounts in the annual fee resolution approved by the Board of Governors.

Status:

In Progress. Sufficient action had not been taken to implement this recommendation prior to our follow up review. The LDC did add the new evaluation fees to the Board of Governor fee resolution approved in July 2019. However, fees for IQ testing and Project Success were not added, making the fee resolution incomplete. At the time of our follow up, the LDC had not removed outdated fee amounts from its operating policy, but subsequently made these changes to the policy. On February 10, 2020, recommended changes to the operating policy were presented and approved by the University's Administrative Council.

3. Unpaid Fees

In fiscal year 2017, \$8500 was charged to non-University clients, with \$1,650 (19.4%) remaining unpaid. Additionally, another \$1,300 from fiscal year 2016 continues to remain unpaid.

Recommendation:

For clients not affiliated with the University, the LDC should collect full payment before delivering the final written client evaluation report.

Status:

This recommendation no longer applies. According to Dr. Capps, the American Psychological Association (APA) code of ethics, section 6.03, indicates, "Psychological records cannot be withheld solely because payment has not been received." The concern of unpaid non-university invoices still exists; however, other actions will need to be considered to encourage payment.

4. Fees Charged to University Departments and Outside Agencies

The LDC provided client evaluation services to the Athletics Department for \$400, but only charged the West Plains campus \$200 for the same service. Additionally, the LDC only charged the Greene County Court \$200 for client evaluation services and did not have a written agreement with the court.

Recommendation:

The LDC should be consistent in the fees charged to all departments within the University. Additionally, the LDC should formalize the agreement with Greene County and consider negotiating a fee that more closely represents the direct cost of the service as noted in No. 1 above. The learning opportunity provided by this contract can be considered when establishing the contract fees.

Status:

Implemented. The LDC only had 3 evaluations for the athletic department in the last two years. All three were invoiced to the Athletics Department for \$400. No evaluations were provided to the West Plains campus. According to Dr. Capps, the LDC is no longer providing services for Greene County Court and therefore, no contract is necessary.

Review of Income Funds ***May 16, 2018***

1. Inactive Funds

- A. Our review identified 46 Funds with a combined cash balance of \$310,945 at June 30, 2017 that have had no activity for at least two years, some much longer.
- B. Our review identified numerous funds with zero balances and no recent activity that were still active

within the accounting system

Recommendations:

- A. We recommend Financial Services provide a list of the inactive funds with balances totaling \$310,945 to the University President and the Provost and determine where to transfer these monies to help finance current operations. Once the monies are transferred, the funds should be inactivated.
- B. We recommend Financial Services review the active B Funds with zero balances and inactivate the funds no longer used.

Statuses:

- A. **Implemented.** We reviewed all 46 reported funds which totaled the \$310,945 noted in the recommendation. We found 42 of those funds had been inactivated and the remaining 4 funds had either current activity or were deemed necessary for proper oversight of monies held in those funds.
- B. **Implemented.** All zero balance and inactive funds have been deactivated in the accounting system.

***Inventory and Retail Sales Review
Fruit Experiment Station
October 4, 2018***

1. Inventory Controls

- A. Inventory reports filed with the U.S. Department of Treasury, Alcohol and Tobacco Tax and Trade Bureau (TTB) were not always accurate and were not sufficiently reviewed to identify the inaccuracies. In addition, the campus did not track cost to produce wine and spirits for resale (cost of goods sold) or track inventory received, cost of goods sold, or specific sales for miscellaneous items.
- B. The campus did not track fruit products received for processing; costs related to processing/preparing each product for resale, or track some sales by specific item categories. In addition, the campus did not monitor inventory turnover to prevent over production of some items and did not complete a periodic physical inventory.
- C. The campus did not track the volume of fresh fruit inventory received for resale, and as a result, cannot validate the reasonableness of sales or determine spoilage.

Recommendations:

- A. Complete periodic reconciliations of TTB reports and other sales records to ensure accuracy of records, track costs to produce wine and spirits for resale, and develop a method to track inventory received and costs of goods sold for miscellaneous items.
- B. Develop procedures to track fruit product received for processing, costs related to processing and preparing products for resale, and track all sales by specific item categories. In addition, the campus should periodically complete a physical inventory, monitor inventory turnover and review options for improving turnover by diversifying sales locations.
- C. Track the volume of fresh fruit inventory received for resale and periodically review inventory received and sold to support sales and identify spoilage.

Statuses:

A-C. Implemented. The College of Agriculture has implemented procedures to reconcile wine and spirit inventory reported on TTB reports to actual inventory and sales reports. While cost of goods sold for wine and spirits have not been determined, the college has implemented additional oversight of costs related to production. Procedures have also improved to track inventory and costs of miscellaneous items, fresh fruit for resale, processing, and culls removed, and fruit product received for resale. Operating policy 3.06 regarding pricing was updated to provide guidance in pricing of inventory. In addition, the College of Agriculture now sells fruit products at both bookstores and to the campus food service vendor.

2. Financial Monitoring and Planning

The financial activity for Mountain Grove Cellars fund showed sales revenue had decreased nearly 40% in the last four years, and as a result, the fund balance had deteriorated.

Recommendation:

More closely monitor the financial health of the Mountain Grove Cellars fund, and develop a plan to improve sales revenue or reduce costs in order to stabilize or improve the fund balance and ensure sufficient capital is available for continuing operations.

Status:

In Progress. The financial condition of the Cellars fund continues to deteriorate. The College of Agriculture is adding additional oversight of the Cellars fund by ensuring all expenditures are reviewed by the Dean. They are also working to build an effective website that would facilitate online sales.

**Financial Information
Fiscal years ended June 30,
Mountain Grove Cellars Fund**

	2017	2018	2019	Through 12/31/2019
Revenue				
Sales	29,563	23,373	20,491	10,478
Total Revenue	\$ 29,563	\$ 23,373	\$ 20,491	\$ 10,478
Expenses				
Equipment	-	-	-	-
Supplies	28,217	16,436	26,066	12,293
Services	4,906	1,218	1,660	560
Travel	2,110	1,145	465	150
Other	4,829	5,130	3,232	984
Total Expenses	\$ 40,062	\$ 23,929	\$ 31,423	\$ 13,987
Operating Profit (Loss)	\$ (10,499)	\$ (556)	\$ (10,932)	\$ (3,509)
Fund Balance	\$ 6,515	\$ 5,959	\$ (4,973)	\$ (8,482)

3. Written Agreement

The campus did not have a formal written agreement to document the benefits and accommodations provided to a bee keeper who maintains his personal hives and bees on University property, or the University's purchase of honey and honey comb products from the same bee keeper.

Recommendation:

Work with the Office of General Counsel to formally document the bee keeper and honey production agreement.

Status:

Implemented. A written agreement was completed effective November 8, 2018.

4. Discounts

The campus did not have a formal written policy to govern discounts provided for product sales or room rental. In addition, discounts were not provided consistently and some invoices were not adequately detailed to reflect discounts, if provided.

Recommendation:

Develop a policy outlining discounts which will be provided on sales for each category, and ensure the equitable application of those discounts when invoicing. All discounts provided should be clearly identified on the invoice and any discount applied outside of the policy should be accompanied by documented approval from the appropriate management.

Status:

Implemented. The College of Agriculture developed procedures for discounts. A review of December 2019 invoices for fruit and wine purchases determined only appropriate discounts were provided.

5. Sales Tax

Multiple issues were noted with regard to sales taxes charged and paid on retail sales. Issues included being incorrectly registered with the Missouri Department of Revenue as a business located inside the city limits of Mountain Grove, charging incorrect sales tax rates, incorrectly recording taxable and non-taxable sales, incorrectly charging the food tax rate on alcohol sales, and incorrectly classifying grape vine cuttings as a tax-exempt product.

Recommendations:

- A.** Ensure the Mountain Grove campus is properly registered with the Missouri Department of Revenue, and the correct sales tax rates are charged.
- B.** Ensure taxable sales are correctly recorded and the sales tax rate accurate.
- C.** Ensure products are correctly classified as non-food or qualifying food products.
- D.** Ensure sales tax is charged on all taxable items.

Statuses:

A-D. Implemented. Financial Services worked with the Missouri Department of Revenue to correct the Mountain Grove registration and tax rate and developed new accounts to track taxable and non-taxable food and non-food sales. Our review of select sales during December 2019 found sales tax rates are

properly charged and sales are properly recorded to ensure sales tax is properly reported and paid.

6. Transfers from Foundation Accounts

Transfers from Foundation accounts for the payment of invoices were not processed timely. The College of Agriculture utilized an account held by the Foundation to send various gift baskets to donors or special guests of the college. When a gift baskets are requested, an invoice is prepared, but the transfer from the Foundation to the College of Agriculture was not always processed timely. During our review of invoices, we noted the time between invoice date and transfer was sometimes as long as 200 days.

Recommendation:

Ensure transfers from the Foundation are processed more timely.

Status:

In Progress. Sufficient action had not been taken to implement this recommendation prior to our follow up review. During our review of 63 fruit and wine invoices issued in the year ended December 31, 2019, we found 22 invoices remained un-paid as of January 22, 2020, including 16 invoices requiring a transfer from the Foundation. Neither Mountain Grove nor Springfield staff were aware of this unpaid balance at the time of our follow-up. As a result of this review, all required transfers from the Foundation were processed on February 3, 2020. The Dean of the College of Agriculture indicated additional follow up measures will be established to ensure transfers from the Foundation are processed more timely.