



**Missouri
State**[®]
U N I V E R S I T Y

School of Nursing

February 16, 2024

Report No. 189-24

Office of Internal Audit & Risk Management



Missouri State[™]

U N I V E R S I T Y

DATE: February 16, 2024

TO: Dr. Kathryn A. Patterson, Director of the School of Nursing
Dr. Mark Smith, Dean of the McQueary College of Health and Human Services

CC: Dr. John Jasinski, Provost
Rachael Dockery, General Counsel
Zora Mulligan, Executive Vice President
Clifton M. Smart III, University President

FROM: Natalie B. McNish, Director of Internal Audit and Risk Management

School of Nursing

BACKGROUND

The Dean of the McQueary College of Health and Human Services (MCHHS), Dr. Mark Smith, requested a review of the School of Nursing. In our conversations with him, he explained that the new Alliance for Healthcare Education had the potential to significantly increase operations of the School of Nursing and he wanted to ensure controls were adequate to accommodate the growth. The School of Nursing includes three (3) undergraduate and six (6) graduate programs, including a master's and professional doctorate program and four (4) certificates. The Bachelor of Science in Nursing, Master of Science in Nursing, Doctorate in Nursing Practice and the post master's Health Educator and Population Health certificate programs are accredited by the Commission on Collegiate Nursing Education and the Bachelor of Science in Nursing is approved by the Missouri State Board of Nursing.

OBJECTIVE AND SCOPE

The objectives were to review operational procedures unique to the operation of the School of Nursing, including technology and data security, financial management, and admissions. We also followed up on recommendations provided by the Missouri State Board of Nursing accreditation letter report dated September 8 and 9, 2022. The scope included, but was not necessarily limited to, the fiscal year ended June 30, 2023.

SUMMARY

We found controls selected for review related to technology and data security and admissions into the school were satisfactory. We also noted progress has been made where able to implement the recommendations of the Missouri State Board of Nursing. However, procedures to maximize revenues by ensuring all fee revenue approved by the Board of Governors are assessed to applicable student accounts and to plan and monitor financial information through development of budgets for non-operating funds and development of appropriate financial reports could be improved.



Natalie B. McNish, CFE, CGAP
Director of Internal Audit and Risk Management

Auditor(s): Grant Jones
Audit Field Work Completed: January 12, 2024

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Financial Management

Improvement in the financial management of the School of Nursing is necessary. During the year ended June 30, 2023, the School of Nursing received revenues totaling \$3,279,582 and processed expenses (including transfers) totaling \$2,846,662. See appendix A for a full financial report. Eighty-five percent (85%) of these revenues came from an operating fund appropriation which includes allocated tuition. The remaining fifteen percent (15%) is composed of various fees and service revenue. Without the revenue provided by these fees, the quality of the programs offered within this academic unit could diminish.

A. Maximizing revenues

The School of Nursing, and other units within the McQueary College of Health and Human Services (MCHHS), have not developed procedures to reconcile fees assessed to ensure the maximum revenue allowed by the fee resolution is collected. Fees are developed by academic leadership and presented to the Board of Governors for approval annually in the fee resolution. This document clearly outlines fees applicable to each course, program, or college and outlines its purpose. Before each semester's registration period, the Office of the Registrar uploads all course offerings for all academic units and the applicable tuition and various fees into the system. When a student registers for classes, the system uses the uploaded information to assess tuition and fees due and charges these expenses to the student's account with a future effective date. For example, registration for the fall semester begins in April. Charges related to April registration have an effective date of July 15. This prevents statements with these charges being sent to students prior to the receipt of available funding (scholarships, grants, loans, and student payments). Between the effective date and the billing date (generally a month later), academic units can access information which would confirm all tuition and fees due were accurately assessed.

During our review of fees specifically designated for the School of Nursing, we determined only half of the graduate supplemental course fee associated with courses NUR734 and NUR750 was assessed and charged, creating \$2,363 in lost revenue in the spring and fall semesters of 2023. While this amount is not overly significant to the overall financial statement, a similar issue identified by an employee of Accounts Receivable in September 2023 was very significant. This employee identified an error in the assessment of the MCHHS course enrollment fee, which is not specifically designated for the School of Nursing and therefore was outside of our review; however, the error impacted 532 students and resulted in \$194,100 in lost revenue. Once identified, management addressed student accounts and the lost revenue and requested an after-action review be completed by the Director of University Safety. A report on this issue was issued in December 2023 and included similar recommendations.

B. Budgets and Financial Monitoring

The School of Nursing does not prepare budgets for all funds and has not properly monitored all funds for financial sustainability. The primary purpose of a budget is to track income and expenses, but if properly utilized, budgets can help management plan for future investments, identify inappropriate or excessive spending, and ensure expenditures are aligned with priorities. Financial Services requires budgets to be prepared for operating funds and any revenue generating fund where monies received are designated for a specific purpose; however, any other fund is not included in the overall University budgeting practices. Therefore, management is responsible for internally developing and monitoring budgets for these funds. Furthermore, financial reports showing budget to actual revenue and expenses help management understand the condition of each fund, plan for challenges ahead, and make necessary adjustments to achieve strategic goals. Further, comparative statements provide an even better overview of the growth or challenges of the operations and allow for trend analysis, forecasting, and other data tools to monitor financial condition. Without these controls, funds could run a deficit and require transfers from other funds to continue operations.

In our review of the six funds used to process all associated revenues and expenditures for the School of Nursing, we determined a budget is only prepared for expenses from the operating fund. Meanwhile, no budget was prepared for the other five non-operating funds, which received \$440,760 in revenues derived from fees or other income, expended \$426,442 in expenses including wages and benefits for associated employees, and contained a carry-forward balance totaling \$404,587 during the end of June 30, 2023.

Further, while financial reports are produced periodically, one of these funds ran a deficit balance in the year ended June 30, 2022, and required a \$75,000 transfer to maintain a positive balance in the year ended June 30, 2023. This was the result of accumulated fund expenses exceeding fund revenues for seven (7) of the last 10 years and likely could have been avoided with earlier adjustments to the fees.

Recommendation

The School of Nursing should develop procedures to ensure all fees are assessed according to the fee resolution, develop budgets for all funds, and prepare financial reports showing budget to actual comparisons and providing an overview of fund health to necessary members of management.

Management's Responses

Dr. Mark A. Smith, Dean of the McQueary College of Health and Human Services provided the following written response:

To provide context, since 2019 the School of Nursing has had several leadership transitions. In June 2023, after a national search, Dr. Kathryn Patterson was named the Director of the School of Nursing (SON). Prior to her appointment, Dr. Patterson served as the BSN Program Coordinator at Missouri State. Due to her prior role, Dr. Patterson was aware of and participated in the audit upon her appointment as the School Director. Therefore, since June 2023, the School of Nursing has developed and implemented several new procedures and policies which address the recommendation. The changes include the following:

- 1. The School of Nursing has developed a series of procedures to monitor budgets, revenues, and expenditures. The SON Director and the Administrative Assistant now meet monthly to review all six accounts related to the recommendations. The review includes the creation of individual spreadsheets for each account based on monthly Argos financial data. Since Argos reports have a 30-day delay, current revenues and expenditures are also included to determine a projected running balance. This process allows for the early identification of deficits and provides real-time data to determine funds available for future expenditures.*
- 2. To verify that course fees are accurately assessed, the following process is being implemented as of Spring 2024: the Administrative Assistant will run the appropriate Argos class report after census, to determine actual course enrollments. Based on the report, expected fee revenue will be calculated to verify that fees were assessed according to the fee resolution.*
- 3. During the spring semester, MCHHS leadership and Financial Services representatives meet with all academic units to review and verify budgets, expenditures, and revenue. Starting Spring 2024, it will be the responsibility of the Unit Leader and appropriate unit personnel to overview the financials of their respective units. As a result of the audit, the School of Nursing will overview and provided MCHHS leadership with financial reports and overall fund health of the budgeting process outlined in addition to the operating costs of the School.*

Appendix A – School of Nursing Financial Statement

	Fiscal Year Ended June 30,			
	2023		2022	
	Operating	Non-Operating	Operating	Non-Operating
Beginning Carry-Forward Balance, July 1	\$ (0)	\$ 373,239	\$ -	\$ 300,946
Revenue				
Operating Fund Appropriation	\$ 2,414,049	\$ -	\$ 2,325,626	\$ -
Fees & Other Revenues	\$ -	\$ 440,760	\$ -	\$ 382,488
Total Revenue	<u>\$ 2,414,049</u>	<u>\$ 440,760</u>	<u>\$ 2,325,626</u>	<u>\$ 382,488</u>
Expenses				
Wages & Benefits	\$ 2,132,418	\$ 319,032	\$ 1,921,548	\$ 235,525
Travel	\$ 7,633	\$ -	\$ 3,891	\$ 300
Supplies	\$ 10,511	\$ 46,294	\$ 6,925	\$ 84,720
Services	\$ 28,505	\$ 59,054	\$ 22,029	\$ 273
Other	\$ 12,436	\$ 2,062	\$ 46,649	\$ 1,064
Capital Outlay/Equipment	\$ -	\$ -	\$ 7,480	\$ -
Total Expenses	<u>\$ 2,191,502</u>	<u>\$ 426,442</u>	<u>\$ 2,008,523</u>	<u>\$ 321,882</u>
Transfers In(Out)	\$ (222,547)	\$ 17,030	\$ (317,103)	\$ 11,688
Ending Carry-Forward Balance, June 30	<u>\$ 0</u>	<u>\$ 404,587</u>	<u>\$ (0)</u>	<u>\$ 373,239</u>