



**Missouri
State
University™**
WEST PLAINS

Follow-Up Audit

February 20, 2025

Report No. 192-25

Office of Internal Audit & Risk Management



DATE: February 20, 2025

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

2025 Follow-Up Audit

BACKGROUND

The Office of Internal Audit and Risk Management has completed review procedures to follow up on eight audit reports issued between June 6, 2023, and February 16, 2024, to formally report on actions taken by University management in response to audit recommendations. We interviewed responsible parties and when applicable, requested documentation to determine and support the status of each recommendation. The title and date issued for each of the eight 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.

No longer applicable: The finding is no longer applicable to operations. This is most likely applicable when auditors have provided two options for moving forward and one is no longer applicable if the other is implemented.

SUMMARY

These 8 audit reports included 33 recommendations of which 16 have been implemented, 8 are in progress, and 9 are no longer applicable. The Office of Internal Audit and Risk Management applauds University management for the action taken to address each recommendation.

A handwritten signature in black ink, appearing to read 'Natalie B. McNish', written over a horizontal line.

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

Audit Field Work Completed: January 27, 2025

Summaries, Recommendations and Statuses

Baker Bookstore Gift Card Fraudulent Activity Letter

Issued: June 6, 2023

Baker Bookstore management contacted the Office of Internal Audit & Risk Management (herein referred to as "Office") to report potentially fraudulent gift card activity. An investigation determined the fraudulent activity began with a legitimate on-line transaction purchasing a \$25 gift card. Using the gift card number, the suspected thief then began to use the website to find gift cards issued to others with significant available balances and use those gift cards to purchase apple products. In total, 11 transactions were completed before the scheme was identified by a student who noticed their card balance had declined. In total, the bookstore lost \$2,366 in merchandise and shipping cost and must refund the \$2,366 in fraudulent activity to the gift cards used, making the total loss of this activity \$4,732.

The fraud was possible due to several control weaknesses such as purchasing sequentially pre-numbered gift cards, reusing gift cards, a lack of policy allowing gift card balances to expire, no PIN authentication requirements, restriction for the number of payment attempts, and no record of inaccurate attempts is kept by the eCommerce system. As a result of these weaknesses, not only was the fraud possible, but the bookstore was also holding a liability totaling nearly \$130,000 dating back nearly 20 years.

Due to the nature of the findings, the Office expanded the scope to include the Drago College Store. From this work, we determined most of the same control weaknesses existed. While no fraud was found, the Drago College store was also holding a liability of approximately \$6,000 dating back 19 years.

Recommendations to Baker Bookstore:

- A. All gift cards used in the fraudulent activity be voided and reissued if the owner of the card could be identified. If the owner of the card could not be identified, we recommend the bookstore issue a full refund equal to the amount of fraudulent activity to the current card on file.
- B. Temporarily discontinue accepting gift cards as payment online.
- C. Purchase gift cards with randomized numbers.
- D. Discontinue the practice of re-using gift cards.
- E. Develop and adopt a policy which allows gift cards to expire after a reasonable amount of time.
- F. Invalidate all gift cards outside of the adopted policy and remit to the State Treasurer as abandoned property. Continue this procedure annually to reduce risk and limit ongoing liability.
- G. Investigate methods to detect or prevent this type of system manipulation in the eCommerce system.

Baker Bookstore Statuses:

- A. **Implemented** - Owners of the gift cards that were affected by the fraud were identified, new gift cards were issued for the balances that remained on them and the value that was fraudulently used was restored to the new cards.

- B. Implemented** - The Bookstore temporarily disabled the ability for customers to utilize gift cards on its online store until new cards were received and were put into circulation. They then ensured that older gift cards will no longer function on the website.
- C. Implemented** - The Bookstore purchased new gift cards that no longer utilize sequential numbers. All cards are randomly numbered and include alpha characters to increase security.
- D. Implemented** - The Bookstore has ceased reusing gift cards. Redeemed cards are submitted with the register's daily deposit. The accounting office verifies that there is no balance remaining on them, then shreds them at the end of each month.
- E. Implemented** - The Bookstore has adopted a policy that is consistent with the Credit Card Accountability, Responsibility, and Disclosure Act of 2009. Cardholders have five years to utilize their gift cards before it expires.
- F. In Progress** - The Bookstore is currently developing procedures for the voiding of gift cards and have a meeting scheduled with Financial Services to determine the appropriate accounts for the voided balances to be deposited to. They anticipate that they will conduct these procedures annually, beginning on July 1, 2025.
- G. Implemented** - It was determined that significant reprogramming of the current system would be required to implement tracking of continual payment declines and or utilize a PIN option on gift cards. However, the Bookstore worked with their vendors to increase complexity of their gift card numbering system, which no longer includes sequential numbers on cards. Additionally, cards that utilize the old numbering scheme can no longer be used online.

Recommendations to Drago College Store:

- A.** Purchase gift cards with randomized numbers.
- B.** Develop and adopt a policy which allows gift cards to expire after a reasonable amount of time.
- C.** Invalidate all gift cards outside of the adopted policy and remit to the State Treasurer as abandoned property. Continue this procedure annually to reduce risk and limit ongoing liability.

Drago College Store Statuses:

- A. Implemented** - The Drago College Store purchased new gift cards that feature randomized numbers and discarded their remaining stock of sequentially numbered gift cards.
- B. Implemented** - The Drago College Store adopted a policy that allows gift cards to expire five years after issuance in compliance with the Credit Card Accountability, Responsibility, and Disclosure Act of 2009.
- C. In Progress** - The Drago College Store is coordinating with the Baker Bookstore to ensure that their policies and procedures mirror Baker's for consistency within the system which is planned to be implemented by July 1, 2025.

NCAA Complimentary Tickets

Issued: June 22, 2023

As a member of the National Collegiate Athletic Association (NCAA) Division I, Missouri State University has an obligation to ensure overall compliance with all applicable rules and regulations of the Association in the conduct of its intercollegiate athletics programs. NCAA bylaw 13 & 16 regulate the number of complimentary tickets afforded to each student athlete, high school coach,

or prospect athlete. In addition, the University has established additional allowances for university coaches to receive complimentary tickets which are outlined in their employment agreements.

We determined improvement is necessary to document compliance with applicable NCAA rules regarding complimentary tickets provided to student athletes at away and post-season games. In addition, season tickets issued to university coaches as compensation per their employment contracts should be reported to Financial Services and included in the calculation of taxable income.

Recommendations:

- A.** Improve procedures to ensure pass lists are complete and sufficiently detailed.
- B.** Report all complimentary season tickets issued to employees to Financial Services.

Statuses:

- A. Implemented** – Complimentary tickets are now reviewed and approved by the compliance office, making sure pass lists are complete.
- B. In Progress** – At the time of our review, reporting of taxable benefits was not completed for calendar year 2024; however, with audit direction, this was quickly remedied and corrected tax statements will be issued. We believe procedures now exist to implement this recommendation for calendar year 2025.

NJCAA Recruiting & Complimentary Tickets

Issued: June 22, 2023

As a member of the National Junior College Athletics Association (NJCAA) Division I, Missouri State University – West Plains has an obligation to ensure overall compliance with the applicable rules and regulations of the Association in the operation of its athletic programs. The University recruits both domestic and international student athletes for athletic programs using both on- and off- campus activities. In addition, and as allowed by NJCAA rules, each student athlete is allowed two complimentary tickets per event. The athletics department did not provide rules education training for all coaches, develop procedures to issue and track complimentary tickets issued to student athletes, or report season tickets issued to employees to Financial Services and included in the calculation of taxable income.

Recommendations:

- A.** Provide formal rules education training for all coaches to ensure all members of the athletics team have equal understanding of both the rules and the University's expectations for compliance.
- B.** Report all complimentary season tickets issued to employees to Financial Services.
- C.** Develop procedures for the issuance of complimentary tickets to student-athletes and ensure documentation showing compliance is maintained.

Statuses:

- A. In Progress** – A new Director of Athletics was hired August 1, 2024. Since that time, the new director has developed weekly coaches' meetings where policies, procedures, rules, and

other operational matters are discussed. The director has plans to develop a Policy and Compliance Manual in 2025 and to attend upcoming NJCAA professional development opportunities as able.

- B. In Progress** – At the time of our review, reporting of taxable benefits was not completed for calendar year 2024; however, with audit direction, this was quickly remedied and corrected tax statements will be issued. We believe procedures now exist to implement this recommendation for calendar year 2025.
- C. In Progress** – A log has been developed which contains the name of the person for whom the complementary tickets were issued, the date of issuance, and the number of tickets issued; however, this log does not include who issued the tickets or require a receipt showing acceptance of the tickets. Changes to the log are forthcoming and implementation is expected in Spring 2025.

Theatre & Dance Cash Count Letter **Issued: August 1, 2023**

A surprise cash count of the petty cash fund maintained by the Department of Theatre & Dance was completed. All monies were accounted for, but no log of fund use and reimbursement was maintained. A review of financial records determined the last reimbursement of funds was completed in 2015.

Recommendations:

- A.** Consideration should be given to the need for this petty cash fund.
- B.** If the petty cash fund is determined to be necessary and is retained by the department:
 - B.1.** Maintain the fund in a secure, on campus location.
 - B.2.** Develop and maintain a petty cash log.

Statuses:

- A. Implemented** – Management determined the petty cash fund was not needed and submitted all funds to Financial Services on January 13, 2025.
- B. Not applicable.**

MCHHS- PHSM Cash Count Letter **Issued: October 20, 2023**

After receiving a tip regarding unauthorized cash collections, the audit team performed a surprise cash count at the McQueary College of Health & Human Services (MCHHS) Public Health & Sports Medicine (PHSM) Department. We learned the department collects monies from customers for DexaScans (approximately \$75 per visit) and monies from students for replacement badges and the sale of used apparel. Work was completed to analyze this information, and interviews were held to learn about the intended purpose and control design and implementation. From this work, we determined monies collected from the sale of used apparel and replacement badges is used for student support. For example, if a student needs gas money to get to clinicals this money is used to purchase gift cards for fueling stations to ensure students can complete the program. It is also used for food and other student celebrations.

Recommendations:

- A. Use a storefront when able.
- B. **If cash continues to be collected within the department:**
 - B.1. Obtain approval for cash collections through Financial Services and establish a change fund for each location of cash collection.
 - B.2. Issue receipt slips for all monies received. Ensure receipt slips include complete and accurate information, are not altered after issuance, are issued in numerical sequence, and if voided, both copies of the receipt slip are mutilated and retained.
 - B.3. Deposit monies and complete reconciliation to compare receipt slips issued to monies deposited.
 - B.4. Discontinue use of cash collections for expenditures.
 - B.5. Collect and remit sales tax on the sale of goods.
 - B.6. Report gifts given to students to Financial Services.
 - B.7. Deposit monies collected for the sale of replacement badges to the operating fund.

Statuses:

- A. **Implemented.** A storefront was created for all goods and services sold.
- B. **If cash continues to be collected within the department:**
 - B.1-4. **No longer applicable.**
 - B.5. **In Progress** – At the time of our review, we found that taxes were not being correctly assessed and paid; however, with the assistance of Financial Services, this has been corrected and we believe future sales will be charged tax in accordance with State law.
 - B.6. **Implemented** – Gifts are no longer provided to students.
 - B.7. **Implemented** - Replacement badges are now provided a no cost.

KSMU Cash Count Letter **Issued October 24, 2023**

A surprise cash count of the petty cash fund maintained by KSMU. The fund was \$42.47 short, personal and university monies were comingled, and no log of fund use and reimbursement was maintained. A review of financial records determined the last reimbursement of funds was completed in 2021.

Recommendations:

- A. Consideration should be given to the need for this petty cash fund.
- B. If the petty cash fund is determined to be necessary and is retained by the department:
 - B.1. Prohibit the comingling of personal and university monies and ensure the total value of the fund is maintained at the assigned value.
 - B.2. Develop and maintain a petty cash log.
 - B.3. Reimbursements should be requested in a timely fashion.

Statuses:

- A. **Implemented** – Management determined the petty cash fund was not needed and submitted all funds to Financial Services on December 13, 2023.
- B. **No longer applicable.**

NCAA Academic Program Report

Issued: December 14, 2023

As a member of the National Collegiate Athletic Association (NCAA) Division I, Missouri State University has an obligation to ensure overall compliance with all applicable rules and regulations of the Association in the conduct of its intercollegiate athletics programs. NCAA bylaws 14 and 18 provide for the purpose, disclosure requirements, and potential reward or penalty structure related to Academic Progress Rate (APR) and Graduation Success Rate (GSR). Both rates are calculated annually.

We randomly selected 60 student-athletes for review, and found only one error in the reporting of APR. This error was immediately corrected and reported to the NCAA and resulted in an increase to the APR rate. We noted two issues which are reported herein related to potential conflicts of interest with employees who have responsibilities to report APR information to NCAA and are compensated based upon the APR achieved, and future process automation which could develop efficiencies and better secure data during the process of determining both APR and eligibility based upon academic performance. Management accepted both recommendations.

Recommendations:

- A.** Either remove the financial incentive from the employee's contracts or assign review and reporting tasks to an employee who is not compensated based upon APR scores.
- B.** Consider opportunities to automate processes used to determine student-athlete eligibility and degree progress.

Statuses:

- A. Implemented** – Financial incentives for APR scores were removed from necessary associated employee contracts.
- B. Implemented** – Management stated they did consider automating this process but determined associated challenges could not be overcome and therefore the process remains manual at this time.

School of Nursing

Issued: February 16, 2024

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.

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.

1. Reconciliation Procedures

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. 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. 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.

Status: In Progress – Procedures to ensure all fees are assessed have been developed and financial reviews and reconciliations are completed weekly/monthly; however, budgets for non-operating funds have not been established to date. This work is ongoing.