Missouri State University

Audit Follow-Up Report

December 9, 2016

Office of Internal Audit and Compliance

Report No. 128-17

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AUDIT FOLLOW-UP REPORT

SUMMARY
The Office of Internal Audit and Compliance has completed a follow-up review of 10 audit reports issued between January 1, 2014 and June 30, 2015, 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 10 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.

These 10 audit reports included **44** recommendations of which **37** recommendations have been implemented and **7** recommendations are in progress of implementation. No recommendation was classified with the status of Not Implemented.

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

Donna Christian

Donna Christian, CPA, CGFM

UNIVERSITY COLLECTIONS PROCESSED BY THE UNIVERSITY PROVOST AND ACADEMIC DEPARTMENTS
February 2014

Academic Departmental Collections

The audit identified that over $3.6 million was collected by academic departments within a 12-month period, with a majority of these collections ($3.4 million) collected in cash and checks and only approximately $200,000 collected by credit card.

Recommendation Summary:

Management should evaluate current collection methods to determine whether alternative means of collections can be utilized. Collection methods, such as centralized collection through the Bursar's Office or electronic collection methods through storefronts would help to reduce the need for these academic departments to handle large amounts of cash and checks.

Status:

In Progress. Significant improvement continues to be made in this area. Academic departments have significantly increased the use of storefronts to collect funds electronically. Previously these departments only utilized 13 storefronts to collect approximately $200,000. Currently, there are 53 storefronts in use by academic departments that collected over $1 million last year. This electronic collection method has grown from only 5% of total collections to over 22% of total collections. The following chart reflects the progress made to date.

		Prior Review 2013				Current Review 2016		
		Total of All Collections by Department	Total Electronic Collections			Total of All Collections by Department	Total Electronic Collections	
College of Arts and Letters		527,973	60,942			529,729	155,192	
College of Business		62,416	4,800			112,533	5,531	
College of Education		1,481,543	9,140			1,139,093	659,945	
College of Health and Human Services		418,308	35,902			469,348	23,118	
College of Humanities and Public Affairs		115,040	0			104,638	0	
College of Natural and Applied Sciences		191,182	291			324,009	23,234	
Graduate College		289	0			2,106	0	
Library		37,120	0			26,436	12,706	
Provost Office		429,455	90,437			795,448	143,404	
School of Agriculture		768,548	0			1,151,980	17,975	
Total	**$**	**4,031,874**	**201,512**	**5.00%**	**$**	**4,655,320**	**1,041,105**	**22.36%**

We applaud the progress made by the academic departments and continue to encourage them to look for ways to eliminate the need to collect cash and checks.

V.H. DRAGO COLLEGE STORE REVIEW
WEST PLAINS CAMPUS
May 2014

1. Profit Margin

In 2013, Drago College Store management began utilizing a pricing software program to assist in the pricing of both new and used textbooks that resulted in a lower profit margin for the store.

Recommendation:

Although management stopped using the pricing software in 2014, they still need to continue to monitor the gross profit margin to ensure profitability while remaining competitive in the market.

Status:

Implemented. The Drago College Store has gone from a net loss of $22,643 at June 30, 2014 to a net profit of $40,339 at June 30, 2016. We applaud the bookstore management and staff on this accomplishment.

2. Rental Programs

A. School-Wide Rental Program: In 2010 to store began offering a school-wide textbook rental program for their high volume books. As a result, new book sales revenue decreased significantly and rental revenues did not satisfy the decrease. Additionally, the contract with the rental company did not adequately protect the store's interest and profitability, and the contract was signed by the store manager in violation of the University's Delegation of Contracting Authority memorandum.

B. Student Athlete and Student Ambassador Rental Programs: The college store does not calculate the profit or loss on the rental rates for student athletes and student ambassadors to ensure the rates are appropriately set. As a result, the college may be absorbing a loss on the rentals for these two programs.

Recommendations:

A. Evaluate the books included in the book rental program. Consider excluding the high volume books. Initiate contract revisions that include provisions protecting the college store's interest and profitability in the book rental program. In the future, only those authorized on the Delegation of Contracting Authority memorandum should sign contracts on behalf of the University.

B. Monitor the rental programs for the student-athletes and ambassadors to ensure profitability. This includes evaluating the rental fees charged and calculating the value of dead books each semester to provide a basis for calculating the profit or loss associated with the programs.

Status:

A. ***Implemented.*** The campus wide rental program was discontinued.

B. ***Implemented.*** The rental program for student-athletes and ambassadors for the Spring 2016 semester was evaluated as recommended.

3. Enrollment and Average Sales Per Student

The West Plains campus has been experiencing decreasing enrollment numbers since Fall 2011. In addition, the average sales per student has also decreased. As a result, there are not only fewer student customers on campus, but also each student is spending less on average at the college store.

Recommendation:

None.

Status:

Enrollment continues to decline; however, average sales per student have increased slightly.

4. Expenditures

Although sales have decreased since FY10, total expenditures have continued to increase.

Recommendations:

A. Continue to monitor salary and fringe benefit expenditures to ensure they can be supported with the current level of revenue.

B. Evaluate the amount of promotional items provided by the college store, ensuring they are justifiable and reasonable in comparison with sales. A donation request form to document the purpose/justification should be established.

C. Consider evaluating the required transfer to the general operating fund based upon the profitability of the college store. Annual evaluations may be performed to determine if increases to the transfer can be funded.

Status:

A, B & C. ***Implemented.*** Management has successfully maintained expenses at a reasonable level, while increasing sales revenue.

5. WP Drago College Store and Springfield Bookstore

The two university bookstores, Drago College Store and the Springfield Bookstore, operate independently under different management. As the Springfield campus has greater purchasing power, based on sales, it appears that the Drago College Store may benefit from more cooperative arrangements.

Recommendation:

A greater working relationship between the Springfield Bookstore and the Drago College Store may be valuable to both stores. Such a relationship would require communication between the stores' management on services provided, profit margins, and third party agreements. This relationship may prove both financially beneficial, as well as create longevity in the store's operations.

Status:

In Progress. Significant progress has been made in the communication between the two University bookstores.

DELINQUENT EMPLOYEE CHARGE ACCOUNTS
May 2014

Our review identified 85 employees owing delinquent charge account balances over $1,000. These delinquent accounts total $201,088.

1. CHARGE ACCOUNT TERMS AND CONDITIONS

Management should consider making several changes to update and improve the terms and conditions associated with the faculty/staff charge accounts.

Recommendations:

Review faculty/staff charge account terms and conditions and consider adding a monthly payment requirement, adding a charge limit, and requiring new employees to sign a payroll withholding authorization. Additionally, the $5 collection charge should be charged or eliminated if the fee is not going to be charged.

Status:

In Progress. Procedures were changed to include a limit of $1,000 on employee charge accounts, and work is underway to make the charge account terms and conditions mirror University policy.

2. COLLECTION PROCEDURES

On February 13, 2014, $201,088 was owed to the University by 85 employees with delinquent charge account balances totaling over $1,000 each. In total, $528,465 was owed to the University by 1,300 employees. As a result, only 85 of the 1300 employees (6 percent) represent problematic delinquent employee charge accounts owing $201,088 (38 percent) of the total amount owed. Consistent collection procedures are not in place to address these large delinquent accounts.

Recommendation:

Financial Services should consider documenting collection procedures to ensure they are consistently applied to employee charge account balances and work with University's General Counsel on collection efforts for the 85 delinquent and excessive employee accounts. Additionally, Taylor Health Center should work with the University's General Counsel regarding the process of honoring holds placed on employees' account balances.

Status:

Implemented. After our audit a finance charge forgiveness program was made available to allow all employees the opportunity to pay their charge account balance with accumulated finance charges waived. There were 276 employees who took advantage of this program. Financial Services now reviews employees balances twice annually, and employees with an accumulated balance of over $1,000 are no longer allowed to charge to their account until payment is made to reduce the accumulated balance to less than $1,000. Taylor Health Center now has procedures in place to honor holds placed on employees' accounts. As of August 2016, the delinquent employee charge account balances have been reduced from 85 employees owing $201,088 to 39 employees owing $97,184.

3. FINANCE CHARGES

Interest is not charged on an employee account balance if any portion of the balance due includes charges associated with the Greenwood Laboratory School.

Recommendations:

When an employee account balance includes charges for Greenwood Laboratory School, procedures should be in place to charge interest to the remaining portion of the account balance.

Status:

Implemented. With the implementation of the $1,000 account balance limit noted in #2 above, interest on any remaining balance after the Greenwood charges are excluded is no longer considered material.

4. UNIVERSITY POLICIES

Some University policies addressing employee charge accounts contain conflicting information.

Recommendation:

Management should perform a review of the various University policies addressing the faculty/staff charge accounts to ensure all references to the charge accounts are consistent and to ensure all policies are properly followed.

Status:

Implemented. Minor changes were made to existing policies to ensure all references were consistent.

TAYLOR HEALTH AND WELLNESS CENTER – PHARMACY
October 2014

1. Effect of Pharmacy Benefit Change

Increasing the prescription benefit coverage for University employees from 70 percent to 80 percent for prescriptions filled at Taylor Pharmacy has resulted in significant savings for University employees, increased profits for Taylor Pharmacy and lower prescription drug costs for the University's insurance plan.

Recommendation:

None

2. Promoting Taylor Pharmacy

Filling prescriptions at Taylor Pharmacy saves money for the employee and the University. Taylor Pharmacy should consider working with various University Departments to communicate this benefit to employees.

Recommendation:

In conjunction with other University departments, increase communication with employees on the benefits of having prescriptions filled on campus at Taylor Pharmacy.

Status:

Implemented. Taylor Pharmacy has used a variety of venues to increase communication with employees on the benefits of filling prescriptions on campus.

3. Specialty Drug Costs Increasing

The amount paid by the University's self-insurance plan for the cost of specialty drugs has more than doubled since 2010. Since the cost of specialty drugs has increased significantly, the University should consider ways to better monitor and control specialty drug costs. We would recommend Taylor Pharmacy, the University's Insurance Committee, and MedTrak meet periodically to ensure specialty drug prescriptions are filled at the most economical location, including Taylor Pharmacy.

Recommendation:

In order to take advantage of the University's in-house medical professionals, we would encourage Taylor Pharmacy, the University's Human Resources Office, the University's Insurance Committee, and MedTrak to periodically meet and review prescription data to ensure specialty drug prescriptions are filled at the most economical location, including Taylor Pharmacy.

Status:

Implemented. The University's Human Resource Office and Taylor Pharmacy have been working directly with MedTrak to monitor all types of prescriptions. The University's Health Care Plans and Benefits committee is kept updated on the monitoring process.

4. Separate Accounting for Taylor Pharmacy

A profit/loss analysis is not separately prepared for Taylor Pharmacy. Currently all pharmacy labor expense is included with Taylor Health and Wellness Clinic labor expense making it difficult to prepare a profit/loss statement for the pharmacy from the University's Banner accounting system. Some other pharmacy related expenses are also combined with clinic expenses.

Recommendation:

Separately classify pharmacy related expenses from Clinic expenses in the University's Banner accounting system and prepare profit/loss statements for the pharmacy.

Status:

Implemented. Pharmacy related expenses are now separately classified in the University's accounting system.

5. Reconciliations

A. Reconciliations need to be performed between prescription revenue posted to the University's Banner accounting system and prescription revenue posted to the pharmacy's ProPharm software.

B. Insurance payments received are not compared to insurance claims filed. This reconciliation is necessary to ensure all insurance claims are properly paid to the University, to provide data to calculate the receivable amount included on the University's financial statement, and to provide the segregation of duties that helps to ensure all insurance checks received in the mail are properly transmitted to the Bursar's Office for deposit.

Recommendations:

A. Reconcile prescription revenue posted to the University's Banner accounting system to prescription revenue posted to the pharmacy's ProPharm software.

B. Compare insurance claims filed to insurance payments received. Obtaining a system to perform this comparison electronically is strongly encouraged.

Status:

A. ***In Progress.*** On a daily basis, the pharmacy verifies that the patient copay has been collected for each prescription that is picked up. If a patient leaves without paying, the amount is charged to their University account. Reconciling for the insurance portion of the payment has been put on hold until the insurance claims tracking software is installed.

B. ***Implemented.*** The pharmacy has contracted with ReconRX to facilitate this comparison.

6. Inventory Procedures

A. Adjustments made to pharmacy inventory amounts in the ProPharm software system are not always adequately explained.

B. The Pharmacy Tech is commended for identifying a process that will increase the revenue the pharmacy receives on unused medication by approximately $20,000 annually.

Rather than searching manually for expired drugs and returning them for a partial refund, the Pharmacy Tech determined that the software system could identify drugs purchased for inventory during the last three months, but not used to fill a prescription. Unopened medication can be returned to the pharmacy's wholesaler for full credit as long as it is not less than six months from the expiration date.

Recommendations:

A. Ask the software programmers to create a report that identifies adjustments and the explanation for those adjustments.

B. We commend the Pharmacy Tech for her idea to track unused, unopened drugs. We recommend the pharmacy implement the cost savings plan suggested by the Pharmacy Tech which will allow unused, unopened drugs to be identified in a timely manner so they can be returned for full credit.

Status:

A. ***Implemented.*** ProPharm programmers made changes to the system to allow adjustments to inventory to be coded with an explanation as to why the change was made.

B. ***Implemented.*** The cost savings plan has now been implemented and the Pharmacy has saved an estimated $41,000 by tracking which drugs in their inventory are nearing the point of return for full credit.

7. Sales Tax

Over-the-counter pharmacy sales were being uploaded by the clinic's software as non-taxable prescription drug revenue instead of taxable sales. As a result, no sales tax had been paid on over-the-counter sales made between May 21, 2013 and February 28, 2014 totaling approximately **$3,050**.

Recommendations:

Provide Financial Services Department with the report that has been prepared identifying taxable over-the-counter sales for which no sales tax has yet been remitted and ensure taxable sales are properly classified. Approximately **$3,050** is owed to the Missouri Department of Revenue.

Status:

Implemented. Financial Services in now receiving the correct report of over-the-counter sales for which sales tax is owed.

8. Compliance Measures

A. With the increasing amount of customer traffic in the lobby of Taylor Pharmacy, staff and student workers should be reminded of the need to take additional precautions to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA).

B. The pharmacy has locking devices and alarm systems that are used outside of normal business hours; however, there are several areas where additional security measures could be taken during business hours.

C. Employees would sometimes issue drugs to customers under the same password as the person previously using the terminal/register.

D. The Delegation of Contracting Authority Memorandum does not delegate anyone at Taylor Pharmacy or Taylor Clinic the authority to make commitments of University resources beyond the $3,000 level. Yet, the Pharmacist and/or the Medical Director, within the normal course of business, approve purchases of over $2 million annually and sign numerous contracts.

Recommendations:

A. Review policies and procedures to ensure compliance with the HIPAA.

B. Ensure doors leading into the pharmacy are kept locked during business hours, consider adding a panic button to the alarm services already in place at the pharmacy, and develop a written security plan to be followed in the case of an attempted robbery.

C. Employees should always use their own passwords when using ProPharm.

D. Review the purchasing needs and contracting activity of Taylor Pharmacy to determine the proper approving authority.

Status:

A. ***Implemented.*** HIPAA policies and procedures are routinely reviewed. Additionally, HIPAA compliance procedures were considered when planning the new Health Center building currently under construction.

B. ***Implemented.*** Additional security measures were added following the audit. Additionally, new security features are in place at the pharmacy's temporary location and are in the plans for the new Health Center building currently under construction.

C. ***Implemented.*** Employees now use their own passwords in ProPharm.

D. ***Implemented.*** The delegation of contracting authority policy now allows the Vice President of Student Affairs to delegate authority to the Director of Taylor Health and Wellness Center for these purchasing needs.

IMMERSION TRIPS
February 2015

1. Receipts, Disbursements and Financial Reports

A bank account was opened for immersion trip funds against University policy. Money received was not properly tracked with unaccounted for trip revenue totaling $905. Additionally, disbursements were often made in cash, with undocumented cash disbursements totaling $2,079. Finally, budgets and financial reports were not properly prepared for each trip.

Recommendations:

Overall, the Office of Community Involvement and Services should close the unauthorized bank account and all financial activity should be accounted for through the University's Banner accounting system. Additionally, a storefront should be established to collect fees online and all disbursements should be adequately documented and processed through the University complying with all policies and procedures of the University. Finally, each trip should be properly budgeted with financial reports prepared after each trip to document the outcome.

Status:

Implemented. The unauthorized bank account was closed and designated accounts in the University's Banner accounting system have been established. All monies are now collected electronically through a University storefront. No cash is accepted. Although not documented, personnel believe the unaccounted for receipts and disbursements listed in the prior audit were utilized for trip related costs. All disbursements are processed through the University's disbursement or cash advance process which requires adequate documentation to be submitted and scanned into the Banner accounting system. A budget and financial report is prepared for each designated trip account monthly.

2. Policies and Procedures

Written policies and procedures governing all aspects of the immersion trip process have not been established.

Recommendation:

Establish written policies to govern all aspects of trip management.

Status:

Implemented. A written Immersion Trip Budget Policy has been established to document the proper financial management for each trip.

3. Fees Waivers and Compliance

There were no policies or documented approvals for various trip fees to be waived. The required trip and activity release forms were not completed by all travelers.

Recommendations:

Establish a fee waiver policy incorporating adequate documentation procedures. Ensure University required release forms are on file for all travelers.

Status:

Implemented. The Office of Community Involvement and Services no longer authorizes fee waivers for students.

INTERNATIONAL STUDENT HEALTH INSURANCE ACCOUNT
May 2015

1. International Student Health Insurance Account Balance

The International Student Health Insurance account is a pass-through account and should theoretically balance to zero, but the account had an excess cash balance of approximately $81,000 at June 30, 2014. Additionally, an entry for prepaid insurance was annually posted to this account unnecessarily.

Recommendations:

Consider transferring the excess cash balance from the International Student Health Insurance account to the Taylor Health Center's fund balance so that it will be more obvious when the account is out of balance. In addition, discontinue making a "prepaid insurance" entry for this account. Although the entry is immaterial to the overall financial statements, it is unnecessary.

Status:

Implemented. The excess cash balance was transferred to the Taylor Health Center Fund and prepaid insurance is no longer posted for this account.

2. International Student Health Insurance Account Errors

No one has taken ownership of this account. Reconciliations of the account are not performed to ensure all international students are properly charged the premium and then subsequently receive insurance coverage. As a result, funds are owed to the International Student Health Insurance account, and Banner access to this account is not adequately limited.

Recommendations:

Someone must assume responsibility for this account and ensure that the income into the account from premiums charged to the students equals the payments made to the insurance provider. ELI should make a budget transfer of **$14,760** into the International Student Health Insurance account. Further, a review of Banner access to this account related to "INCH" entries and emergency enrollments should be performed with access being limited and the proper notification made to the Assistant Director of the Health Center so refunds can be obtained.

Status:

In Progress. Taylor Health Center is now performing regular reconciliations of this account; however, the Taylor Health Center staff and the various International Programs staff are currently working on ways to improve communication to ensure corrections to student accounts are made. Additionally, a budget transfer was made from ELI to correct the $14,760, and access has been reviewed.

3. Bad Debt Expense

In FY13 and FY14, Financial Services wrote off bad debt expense totaling **$19,985** against the International Student Health Insurance Account. Normally, bad debt expense is applied to the account that received the benefit of the income. However, if this account is properly managed as a "pass-through" account where premiums are accumulated and then paid out to the insurance provider, there would not be any funds available to cover the bad debt. A determination should be made on how the bad debt expense is applied.

Recommendation:

Financial Services should review how bad debt should be handled for accounts that serve as "pass-through" accounts where there is no retained income to cover bad debt.

Status:

Implemented. Bad debt is now processed through the International Program's budget.

NCAA COMPLIANCE - PLAYING AND PRACTICE SEASONS
May 2015

Men's Basketball, Women's Basketball, Football and Women's Soccer were selected for this review.

1. Documentation of No Class Time Missed for Practice Activities

NCAA Bylaw 17.1.7.6.2 states, "No class time shall be missed at any time for practice activities except when a team is traveling to an away-from-home contest and the practice is in conjunction with the contest. *(Adopted: 1/10/91 effective 8/1/91, Revised: 5/13/10)*"

Football: No roster was provided with the names of players attending practice.

Women's Soccer and Men's Basketball: Playing and practice logs showed primarily only the duration of practice sessions.

Recommendations:

Complete rosters identifying students who attended each practice should be filed with the practice logs, and the actual time of day of the student-athlete's participation should be recorded on practice logs to verify classes are not being missed, except where permitted.

Status:

Implemented. Logs for 2016 includes each player's name and specific practice times.

2. Accuracy of Playing and Practice Logs

Some logs had incomplete or inaccurate dates, and some logs showed the competition time as 2 hours rather than 3 hours as required.

Recommendations:

Require all playing and practice logs to be signed and dated by both the head coach and a representative player to verify accuracy of the logs. Ensure the competition time and the dates (including the year) are included and correct on all playing and practice logs.

Status:

In Progress. A new on-line compliance system has been implemented. The first year of implementation has been trial and error in terms of coaches and student-athletes logging into the system and signing their practice logs. Competition times and dates (including the year) are input into the new system.

3. Documentation of Required Days Off

Men's Basketball – During the week of November 24-30, 2013 three competitions were held and no day off was documented. In the week preceding and following, there was only one documented day off.

Recommendation:

Ensure the required days off from athletically countable activities are observed and accurately recorded on playing and practice logs.

Status:

Implemented. Required days off are observed and now accurately recorded in the new on-line compliance system.

TRANSCRIPT FEES
June 2015

1. System Reports

A comprehensive system report with all transaction numbers in numerical order is not generated to fully account for all transcript activity.

Recommendations:

Continue to develop an enhanced report in the Transcript Request System that includes all transaction numbers in numerical order. Periodically review the report to determine if the system is working accurately and all exceptions are properly reviewed.

Status:

Implemented. A monthly report is now prepared to account for all transaction numbers.

2. Physical Security

The official transcript stock paper is stored in a locked storage closet and a locked file cabinet; however, keys to the storage closet and the file cabinet are kept in an unlocked file cabinet in a common area in the registrar's office. Additionally, the registrar's stamp and the University seal is also maintained in this unlocked file cabinet with the keys.

Recommendation:

Ensure the keys, registrar's stamp and the University seal are kept in a secure area to ensure no access or unauthorized use.

Status:

Implemented. The keys and the registrar's stamp are now maintained in a lock box.

BEAR LINE SHUTTLE SERVICE CONTRACT
June 2015

1. Bear Line Shuttle System Budget

Student fees provide funding for the Bear Line Shuttle System. These fees are accounted for in a separate fund and organization number (Transit System Fund – Shuttle System) within the University's accounting system. The shuttle service contractor and other minor expenses are paid from this fund/org. However, employee related costs are not allocated to the Transit System Fund – Shuttle System to provide a complete accounting of all costs related to the shuttle system.

Recommendation:

To properly track all expenses associated with the Bear Line Shuttle System, salary and fringe benefit costs of the employees whose time is spent managing the shuttle system should be allocated to this fund.

Status:

In Progress. The salary and fringe benefits associated with managing the Bear Line Shuttle are manually calculated and reviewed annually. These expenses are reflected in the Parking Fund and the Motor Pool Fund. Management plans to review these positions further and hold discussions with Financial Services to determine if an allocation can be made within the Banner accounting system.

2. Ridership

Shuttle ridership information has been collected manually by shuttle drivers and submitted to the University's Safety and Transportation Department for review. The limited detail of the manual information has made it difficult to analyze ridership and draw accurate conclusions regarding the shuttle routes.

For the Spring 2015 semester the University began tracking ridership electronically, which provides significantly more data that will be useful to the University in making future shuttle route decisions. We commend the University's Safety and Transportation Department for implementing a system to electronically track ridership.

Recommendation:

Analyze electronically collected ridership data to determine if shuttle routes need to be adjusted to help increase ridership and/or decrease costs.

Status:

Implemented. The ridership data is being collected daily and analyzed at the end of each semester to determine if route adjustments are necessary. Recently the ridership data was analyzed to determine the most efficient route to take students to the temporary classrooms at the Glen Isle Shopping Center.

3. Bear Line Shuttle System Contract

The University's contract for shuttle services, dated July 1, 2009 through June 30, 2015, contained a provision to pay the shuttle contractor a fuel surcharge that was confusing to calculate and very time consuming to manage.

Beginning July 1, 2015 the new Shuttle Service contract will contain a more simplified method of calculating the fuel surcharge eliminating the need for the transportation company to submit each fuel receipt. We commend the University's Safety and Transportation Department and Procurement Services for working to simplify the fuel surcharge calculation and save personnel time to manage this contract in the future.

Recommendation:

None

Status:

According to Procurement Services, the new fuel calculations have earned the University a rebate of $15,544 and saved a considerable amount of time and paperwork.

4. Additional Transportation Services

Amounts paid by various University Departments for additional transportation services do not always agree with contract terms, and invoices submitted by the shuttle contractor do not contain adequate detail as required by the contract. Since the University's Safety and Transportation Department manages the shuttle service portion of the contract, they should consider being the central point of contact for scheduling departmental transportation and the final approval of all departmental transportation invoices. This centralized management will help ensure additional transportation charges for University departments comply with contract terms.

Recommendation:

The University's Safety and Transportation Department should consider being the central point of contact for scheduling departmental transportation and the final approval of all departmental transportation invoices.

Status:

Implemented. All scheduling for the shuttle service is administered through the Parking Transit Office. A department may download a request form from the Motor Pool website, submit the completed request, and upon signing a confirmation listing the date, time and cost of the trip, the shuttle is scheduled for the department.

JQH ARENA EQUIPMENT RENTAL AND EVENT PROCEDURES
June 2015

1. Equipment Rental Procedures and Controls

JQH Arena crowd control equipment and cable guards are rented to outside entities for concerts and other events. Standard rental rates have not been established, the rates charged and/or discounts given varied, rental agreements are not prepared and signed, and equipment check-out forms are not utilized to document equipment removed from and returned to JQH Arena. Duties related to renting equipment are not adequately segregated.

Recommendations

Establish standard rental rates, prepare and sign rental agreements, and establish an equipment check out log that is used to ensure rental invoices are properly generated. Also, free use of University equipment should correlate with the University's public affairs mission and should be adequately documented. Finally, duties related to renting JQH Arena equipment should be adequately segregated.

Status:

Implemented. The practice of renting equipment from JQH has been discontinued.

2. Event Contracts

A. Contracts with producers/entertainers are not routinely sent to the University's General Counsel for review, and certain terms in the contracts we reviewed should not have been included.

B. The University does not have a contract with the producer of the bull-riding event for the use of the University's ticket sales system.

Recommendations:

A. Consult with University's General Counsel to ensure terms included in entertainment contracts are appropriate before signing.

B. Consult with University's General Counsel regarding the ticket sale arrangement with the bull-riding event producer.

Status:

A. ***Implemented.*** Any changes made to the standard contract are now reviewed by the University's General Counsel.

B. ***Implemented.*** An amendment has been added to the contract with the producer of the bull-riding event to include the use of the University's ticket sales system.

3. JQH Event Settlement Forms

Amounts paid to entertainers/producers were not always calculated on settlements as outlined in contract terms, some settlements contained errors that were not caught and corrected, and settlements are not reconciled to entries posted in the University's Banner accounting system. Additionally, the Board of Governors approved facility fee was paid to the promoter in some instances.

Recommendations:

Ensure settlements are accurately calculated, agree with contract terms and reconciled to accounting entries posted to Banner. In addition, all of the facility fees collected should be retained by the University.

Status:

Implemented. A review of the settlement for the recent bull-riding event confirmed that settlement procedures have improved to include accurate calculations, proper accounting entries, with the appropriate fees retained by the University.

4. JQH Event Bank Account

The JQH Arena maintains a bank account for the payment of entertainers/producers and certain event-related expenses. To provide better control, expenses associated with routine University vendors could be paid through the University's accounts payable system.

Recommendation:

When possible, checks to routine University vendors should be issued through the University's normal accounts payable system.

Status:

Implemented. Payments made to University vendors are processed through the University's accounts payable system.

5. Rates Charged and Complimentary Tickets

Rates charged to entertainers/producers for the JQH Arena varied significantly. For some events it is questionable that the University properly covered all its costs. Additionally, for one event we reviewed there were more free tickets given away than tickets sold. As a result, the University did not receive a facility fee for the complimentary (free) tickets.

Recommendations:

Implement stronger, more consistent pricing guidelines when negotiating event contracts and ensure facility fee revenue for the various events is collected and retained by the University to help cover the costs associated with these events. Additionally, management may want to consider clarifying the definition of complimentary tickets or include additional terms in the contract with the circus to compensate the University for the excessive number of free tickets.

Status:

Implemented. Management has established a consistent profit target for events while still allowing the flexibility to negotiate individual elements within the contract. Additionally, management has addressed the issue of facility fee charges on excessive complimentary tickets.