

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

***MARSHALL UNIVERSITY
STUDENT UNION***

FOR THE PERIOD

JULY 1, 1999 - JUNE 30, 2001



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

MARSHALL UNIVERSITY
STUDENT UNION
FOR THE PERIOD
JULY 1, 1999 - JUNE 30, 2001

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.



Area Code (304)
Phone: 347-4880
Fax: 347-4889

CHARLESTON, WEST VIRGINIA 25305-0610

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the Marshall University Student Union.

Our examination covers the period July 1, 1999 through June 30, 2001. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,


Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division

TLS/jdb

MARSHALL UNIVERSITY

STUDENT UNION

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MARSHALL UNIVERSITY

STUDENT UNION

EXIT CONFERENCE

We held an exit conference on September 11, 2002 with Marshall University's Senior Vice President of Operations, the Senior Vice President of Finance Affairs and the Director of Auxiliary Operations. All findings were reviewed and discussed. The University's responses are included in bold and italics in the Summary of Findings and Responses and after our findings in the General Remarks section of this report.

MARSHALL UNIVERSITY

STUDENT UNION

INTRODUCTION

The Student Union, or the Student Center, as it is now called, has always been an integral part of student life at Marshall University. The old Shawkey Union served for many years as the hub of student activity. The Memorial Student Center, which now serves students, was erected in 1971. The Student Center exists as a living memorial to those killed in the November 14, 1970 plane crash.

The Student Center serves as a community center and forum for the people who make up the University – students, faculty, staff, alumni and guests. As a facility, it provides services, conveniences, and amenities needed to enhance the daily life of the University. The Student Center is an organization and program designed to encourage students and other members of the University community, to meet and share talents, interests, and ideas in an action-learning setting. Though cooperative governance between boards, committees and staff, and through the provisions of cultural, social, and recreational programs, there is the opportunity for ripening of intellectual, creative and communicative capacities. In all processes, through the management of its physical and human resources, the Center encourages interaction of diverse peoples, ideas, and values. The Center's continuing goal is the creation of an atmosphere that encourages the individual's self-development as a concerned, responsible, humane citizen.

The Memorial Student Center serves as a major crossroads in the life of every University student. The Memorial Student Center was built with student money; thus, the Center's

primary concern is the service of that constituency. The building hours of operation, policies and services are all designed to facilitate maximum usage by students and student organizations.

Through cooperation between boards, committees, and staff as well as cultural, social and recreational programing, the opportunity for the cultivation of intellectual, creative and communicative capacities is ever present. In all of its processes through the management of its physical and human resources, the Memorial Student Center encourages the interaction of diverse peoples, ideas and values.

The Memorial Student Center maintains a continuing goal to encourage each individual's self-development by providing facilities, services, conveniences, and amenities to enhance life.

MARSHALL UNIVERSITY
ADMINISTRATIVE OFFICES AND STAFF

June 30, 2001

Dr. Dan Angel President
(January 2000 - Current)

Mike Perry (Interim)President
(August 1, 1999 - December 31, 1999)

Dr. J. Wade Gilley President
(August 1, 1991 - July 21, 1999)

Dr. K. Edward Grose Senior Vice President of Operations

Herbert J. Karlet Senior Vice President of Finance Affairs

Ted W. Massey Associate Vice President of Finance

Larry E. Barnhill Director of Accounting

Barry Beckett Director Student Financial Systems / Bursar

Perry Chaffin Director of Audits

William J. Shondel Director of Purchasing and Materials Management

Student Union (Student Center)

Karen Kirtley Director, Auxiliary Operations

William "Tootie" Carter, Jr. Administrative Assistant

Eleanore Beckett Administrative Associate

Linda Bowen Manager, Facilities Scheduling Office

MARSHALL UNIVERSITY

STUDENT UNION

SUMMARY OF FINDINGS, RECOMMENDATIONS, AND RESPONSES

Lack of Effective System of Internal Controls

1. During the course of our examination it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, Marshall University did not have an effective system of internal controls in place to ensure compliance with the areas of noncompliance noted in this report.

Auditor's Recommendation

We recommend Marshall University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and establish an effective system of internal controls that will serve to alert Management to areas of noncompliance noted in this report.

University's Response

Marshall University agrees there were some weaknesses noted in our internal control procedures. (See pages 11-13)

Contract Monitoring

2. Sodexho Management, Inc. (Sodexho) has been contracted to provide food service for Marshall University by operating various facilities offering food and snacks throughout the Marshall University campus. Commissions totaled \$257,255.70 for fiscal year 2001 and \$276,606.97 for fiscal year 2000, however, Marshall University has not adequately monitored Sodexho food sales records, such as cash register tapes

and other source and secondary sales records to verify the gross sales and determine if Marshall is receiving the appropriate commission.

Auditor's Recommendation

We recommend Marshall University establish procedures to more adequately monitor the Food Service Contract by periodically reviewing cash register tapes and other source and secondary sales records as permitted by Section 3.0 of the Marshall University Dining Services Contract.

University's Response

We believe the University has received the appropriate commission, but agree that procedures can be improved. (See pages13-15)

Noncompliance with Pepsi Cola Vending Contract

3. The Pepsi Cola Company provides soft drinks via vending machines located throughout the Marshall University campus and Marshall is paid a commission on these sales. During our audit of these commissions, we noted Marshall was underpaid a total of \$10,454.85.

Auditor's Recommendation

We recommend Marshall University Student Union comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

University's Response

We agree with the recommendation. (See pages15-18)

Video Game Commissions

4. We were unable to verify if Marshall actually received the amount originally agreed upon for commissions since there was not a signed contract in place prior to

November 1, 2000 between Marshall University and the vendor providing the video games. Also, the current provider of video game equipment has failed to send Marshall University an Operating Statement as required by the contract between the University and the vendor.

Auditor's Recommendation

We recommend Marshall University Memorial Student Center comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. We further recommend the Marshall University Student Center request reports, as permitted in Section VI, 1 of the vendor contract, from L&P Vending and monitor the total amount of revenue the video games generate in order to determine if they are receiving adequate commission.

University's Response

The University agrees with the recommendation. (See pages 18 and 19)

Noncompliance with Inventory Regulations

5. During our test of inventory, we noted inventory items with a total purchase price of \$5,475.42 that were located in the Student Center but were not on the Student Center's inventory list.

Auditor's Recommendation

We recommend Marshall University Memorial Student Center comply with sections 3.2 and 3.6 of the Inventory Management and Surplus Property Disposition Policies and Guidelines.

University's Response

We agree with the recommendation. (See pages 19 and 20)

Misclassification of Revenues

6. During fiscal year 2000 we noted revenues totaling \$1,065.00 were entered into the WVFIMS system under the wrong revenue source code.

Auditor's Recommendation

We recommend Marshall University comply with Chapter 5A, Article 2, Section 24 of the West Virginia Code, as amended, and the State of West Virginia Expenditure Schedule Instructions.

University's Response

We agree with the recommendation. (See pages 20-22)

Underpayment for Terminal Pay

7. Due to an error made by the Marshall University Human Resources Department in transcribing an employee's annual leave balance, the employee was underpaid \$102.97 for his settlement pay when his employment was terminated effective July 31, 2000.

Auditor's Recommendation

We recommend that Marshall University comply with Tile 128, Series 35, Section 4.2(j) of the University System of West Virginia Policy Bulletins.

University's Response

We agree with the recommendation. (See pages 22 and 23)

Monies Not Deposited Timely

8. During our audit period we noted two occasions where monies totaling \$127.00 received for Facilities Scheduling were not deposited within the 24 hour threshold.

Auditor's Recommendation

We recommend Marshall University Student Center comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

University's Response

We agree with the recommendation. (See pages 23 and 24)

MARSHALL UNIVERSITY

STUDENT UNION

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Marshall University Student Union Fund. The audit covered the period July 1, 1999 through June 30, 2001.

SPECIAL REVENUE ACCOUNT

All expenditures required for the general operations of the Marshall University Student Union (Student Center) and the revenues received for services provided by the Student Center are accounted for through the following special revenue account:

<u>NUMBER</u>	<u>DESCRIPTION</u>
4231-999	Student Union

BOND ACCOUNTS

During the audit period, there were certain bond accounts maintained with the State Sinking Fund Commission of West Virginia (Sinking Fund Commission) as required by the bond trust indenture for the Marshall University, University Center Revenue Bonds of 1969. These accounts were as follows:

1969 University Center Bond Revenue Account

Under the bond issuance, a separate account was established with the Sinking Fund Commission where debt service payments are received from the Marshall University Student Union Account when due for payment of principle and/or interest to the bondholders.

1969 University Center Bond Debt Service Reserve Account

Under the bond issuance, a separate account was established with the Sinking Fund Commission where monies from the Student Union Fund are to be deposited until an account balance is obtained equal to the maximum annual debt service on the bonds outstanding. Deposits in the Debt Service Reserve account will be used only for the purposes of paying principal and interest on the bonds in the event that other funds and securities in the sinking fund should become insufficient to meet the required debt service.

1969 University Center Bond Maintenance and Equipment Account

Under the bond issuance, a separate account was established for the purposes of paying the costs of unusual or extraordinary maintenance or repairs, renewals and replacements for the University Student Center and the renovation and replacement of furniture and equipment of the Student Center not covered or paid as current expenses.

COMPLIANCE MATTERS

Chapter 18B generally governs Marshall University, while Chapter 18B, Article 10, Section 10 specifically authorizes and governs the disposition and use of student union fees. We tested the above plus general State regulations and other applicable chapters, articles and sections of the West Virginia Code, as they pertain to financial matters. Our findings are discussed below:

Lack of Effective System of Internal Controls

During the course of our post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, Marshall University (Marshall) did not have an effective system of internal controls in place to ensure compliance with the areas of noncompliance noted in this report.

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, states in

part:

“The head of each agency shall: . . .

(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities. . . .”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of Marshall University, we found the following violations of State laws or other rules and regulations: (1) Marshall University received commissions for food service of \$257,255.70 and \$276,606.97 for fiscal years 2001 and 2000, respectively, from the food service contractor. However, Marshall is not adequately monitoring food sales records to verify the gross sales of the food service contractor to determine if the University is receiving the appropriate commission. (2) During our audit of vending commissions, we noted four errors in the payment of commissions from the Pepsi Cola Company to Marshall University resulting in a net underpayment to Marshall of \$10,454.85. (3) Prior to November 1, 2000, there was not a signed contract between Marshall University and the vendor responsible for providing video games for use in the Recreation Center and, as a result, we were unable to verify if Marshall University received the correct commission. Also, subsequent to November 1, 2000 when Marshall entered into a contract with a new video games vendor, the University has not received Operating Statements from the vendor as required by the contract. (4) During our test of equipment inventory, we noted two computers with

a total cost of \$3,206.00 and an ice machine purchased for \$2,269.42 that were located in the Memorial Student Center; however, they were not recorded on the Student Center inventory list. (5) During fiscal year 2000, we noted revenues totaling \$1,065.00 were entered into the WVFIMS system under the wrong revenue source code. As a result, any statements and reports compiled based on this information would be incorrect. (6) Due to an error made by the Marshall University Human Resources Department, an employee was underpaid \$102.97 for his settlement pay when his employment was terminated. (7) During our audit period, we noted two occasions where payments totaling \$127.00 received by the Conference and Facilities Scheduling Office were not deposited within 24 hours.

We recommend Marshall comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls that will serve to alert management to areas of noncompliance as noted in this report.

University's Response

Marshall University agrees there were some weaknesses noted in our internal control procedures. The University has revised and corrected each area specified in this report and will continue to monitor performance to assure compliance with our control procedures.

Contract Monitoring

Sodexo Management, Inc. (Sodexo) has been contracted to provide food service for Marshall University by operating various facilities offering food and snacks throughout the Marshall University campus. Since entering into a contract with Sodexo, Marshall receives a percentage of most food sales as specified in the contract. However, Marshall is not monitoring food sales records, such as cash register tapes and other source and secondary sales records, to verify the gross sales and determine if Marshall is receiving the appropriate commission.

In accordance with the terms of the contract, Marshall receives commissions for cash and declining balance card sales at campus cafeterias, Sweet Shops, and for the John Marshall dining room Sunday brunch sales. Additional commissions are received for catering, and food sales at athletic events. Commissions totaled \$257,255.70 and \$276,606.97 for fiscal years 2001 and 2000, respectively. Of this amount, \$254,163.47 and \$272,401.82 for fiscal years 2001 and 2000, respectively, were deposited in the Student Center Fund (4231) with the remaining amount deposited into the Athletic Fund (4234).

Food service commission checks are accompanied by a monthly operating statement which depicts the total monthly sales by major category. These reports are reconciled to weekly Sodexo sales reports previously received by Marshall. Any discrepancies or adjustments to monthly reports must be supported by a justification memorandum. A Marshall University Student Center employee then verifies the commission paid by Sodexo by applying the commission percentage (15% for sky box catering and 18% for all other applicable sales) to the gross sales depicted in the Operating Statement. However, we believe these commissions should be verified by other measures available to Marshall as specified in the contract with Sodexo Management, Inc.

Section 3.0 of the Marshall University Dining Services Contract (Purchase Order No. 5460-980087) states in part:

- “1. The Contractor agrees to keep accurate and correct records of all transactions of all monies it receives in connection with the operation of the food service and make available to Marshall University or its agent the Contractor’s books of account, all invoice expenses to the operator, and other records of any reasonable time for the purpose of auditing periodic statements that are rendered by the Contractor to the University...”

Since Marshall is not monitoring Sodexho's financial collection records for food service sales and is only using the monthly reports provided by Sodexho to determine gross sales, Sodexho's gross sales have not been sufficiently verified by the University. Therefore, Marshall has inadequate assurance that it is receiving the actual commission amounts as specified in the contract. When questioned about the monitoring of the Contract, the Director of Auxiliary Services stated that it would be a good idea to investigate sources records underlying the sales numbers depicted in the Sodexho monthly report.

We recommend Marshall University establish procedures to more adequately monitor the Food Service Contract by periodically reviewing cash register tapes and other source and secondary sales records as permitted by Section 3.0 of the Marshall University Dining Services Contract.

University's Response

We believe the university has received the appropriate commission, but agree that procedures can be improved. We are now receiving all cash register tapes with weekly sales reports submitted by the University Campus Dining Services. All verified weekly reports will then be reconciled with corporate monthly reports.

Noncompliance with Pepsi Cola Vending Contract

During our audit of vending commissions, we noted four errors in the payment of commissions from the Pepsi Cola Company (Pepsi) to the Marshall University Student Center (Marshall). These errors resulted in a net underpayment to Marshall of \$10,454.85. The errors are as follows: (1) Pepsi overpaid Marshall \$7,028.26 for fiscal year 1999 commissions; (2) In fiscal year 2000, Pepsi failed to remit to Marshall the minimum commission payment of \$10,833.33 for the

period of October 31 through November 27 1999; (3) Also, in fiscal year 2000 Marshall University was underpaid an additional \$5,690.07 for commissions for the year-end settlement; and,(4) Marshall was underpaid \$959.71 for the year-end settlement of commissions for fiscal year 2001. The following schedule details the errors in commission payments:

<u>Fiscal Year</u>	<u>Description</u>	<u>Payment Amount over/(under) Amount Due</u>
1999	Overpayment Error in Commission Calculation	\$ 7,028.26
2000	Omitted Check	(10,833.33)
2000	Underpayment Error in Commission Calculation	(5,690.07)
2001	Underpayment Error in Commission Calculation	<u>(959.71)</u>
	TOTAL	<u>(\$10,454.85)</u>

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:

...(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities...”

The terms of the Marshall University contract with Pepsi stipulate that Marshall is to receive a percentage of cash and debit sales with a guaranteed minimum annual income of \$130,000.00 per fiscal year. Pepsi paid the minimum guarantee in 13 equal installments throughout fiscal year 1999. However, instead of paying 13 equal payments of \$10,000.00, which would have met the required guaranteed minimum of \$130,000.00 for the fiscal year; Pepsi paid 13 payments of \$10,833.33 each for a total payment for the fiscal year of \$140,833.29. Marshall earned \$133,805.03 in commissions for the year (\$130,000.00 guaranteed minimum plus an additional \$3,805.03 in commissions above the minimum). As a result of the error in calculating the minimum payments,

Marshall was overpaid \$7,028.26 for fiscal year 1999. Although Pepsi continued to pay 13 equal payments of \$10,833.33 to meet the minimum commission requirement in subsequent fiscal years, no additional overpayments resulted since all yearly commissions earned by Marshall after fiscal year 1999 exceeded the \$140,833.29 yearly total of payments.

Also, in fiscal year 2000, Pepsi underpaid Marshall a total of \$16,523.40. Of this amount, \$10,833.33 was due to Pepsi's failure to remit to Marshall the minimum commission payment for the period of October 31, through November 27, 1999. The remaining \$5,690.07 was due to year-end settlement commission miscalculations by Pepsi. Also, during fiscal year 2001, Pepsi underpaid Marshall \$959.71 due to year-end settlement miscalculations by Pepsi.

Marshall's failure to detect the underpayments was primarily due to the University's use of payment verification methods incompatible to Pepsi's 13 period-12 month accounting cycle. However, both Marshall University and Pepsi agree that the commission errors described above were made. Marshall University has contacted Pepsi and requested that Pepsi remit a check to the University for \$17,483.11 for all underpayments of commissions. Also, the University requested that Pepsi deduct \$7,028.26 from the 2002 commissions to correct for the 1999 overpayment of commissions.

We recommend Marshall University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. We further recommend that the Marshall University Student Center alter their payment verification procedures to methods compatible with Pepsi's 13 period-12 month accounting cycle.

University's Response

We agree with the recommendation. This issue has been resolved and payments due to the university were received and deposited on July 8, 2002. Effective July 1, 2002, we began payment verification procedures compatible with Pepsi's thirteen period accounting cycle.

Video Game Commissions

During the period of July 1, 1999 through October 31, 2001, Marshall University received commissions totaling \$1,433.98 for video games provided for the Student Center Recreation Room. However, we noted there was not a signed contract in place prior to November 1, 2000 between Marshall University and Price Music, Inc., the vendor responsible for providing video games during this period. According to Marshall University Student Center personnel, Price Music collected the money from the machines and paid Marshall a commission equal to 50% of the monies collected after the deduction of 6% for sales tax. However, since there was not a signed contract in place detailing the terms of the agreement, we were unable to verify what Marshall should have received.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

"The head of each agency shall:

. . . (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities . . ."

According to the Student Center Administrative Assistant, there was not a contract or agreement in place when the current Director came to work for Marshall. When it became apparent that Price Music could no longer continue providing video games, the service was bid out by the Marshall Purchasing Division.

Effective November 1, 2000, Marshall established a contract with L&P Vending to provide video games in the recreation center. During the period of November 1, 2000 through June 30, 2001 Marshall received \$6,033.31 for video game commissions. According to the contract with L&P Vending, L&P is to supply Marshall University with an operating statement detailing the amount collected each month. However, according to Student Center personnel, Marshall has never received an operating statement.

Section VI, 1. of the L&P Vending Contract, states in part:

“The vendor shall provide the University with a complete and detailed operating statement for each month of the fiscal year....”

Although Marshall currently receives a flat rate of \$200.00 each month from L&P Vending for commission, it would be prudent for Marshall to monitor the amount of money that is collected each month by L&P Vending in order to determine if the commissions they receive continue to be adequate.

We recommend that Marshall University Comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

University's Response

The university agrees with the recommendation and will begin to monitor the vendor's monthly receipts.

Noncompliance with Inventory Regulations

During our test of inventory, we noted two computers with a total cost of \$3,206.00 and an ice machine purchased for \$2,269.42 that were located in the Memorial Student Center but were not recorded on the Student Center inventory list.

Section 3.2 of the Inventory Management and Surplus Property Disposition states:

3.2 “Agencies are responsible for all property, regardless of its state (removable or fixed), origin, or acquisition cost.”

And Section 3.6 of the Inventory Management and Surplus Property Disposition states:

“Reportable Property: The Purchasing Division has established a capitalization figure of \$1,000.00 and a useful life of one (1) year or more. This means that any item which has an original acquisition cost of \$1,000.00 or more and a useful life of one (1) year or more should be placed into the agency’s inventory. An agency may, however, include property or equipment costing less than \$1,000.00 in the report submitted to the Purchasing Division.”

The Supervisor for the Marshall University Central Receiving stated that the computer technicians move computers to different departments all the time and she is not notified. Therefore, she is unable to always update Inventory lists. She added that the computers were on the Marshall University Residence Services inventory list. Also, the Supervisor said that the Central Receiving employee who took the ice machine to the Student Center must have tagged it but forgot to record the information on the inventory list.

We recommend Marshall University comply with sections 3.2 and 3.6 of the Inventory Management and Surplus Property Disposition Policies and Guidelines.

University’s Response

We agree with the recommendation and will continue to emphasize to all areas the importance of following university procedures.

Misclassification of Revenues

During fiscal year 2000 we noted revenues were entered into the WVFIMS system under the wrong revenue source code. As a result, any statements and reports based on this information would be incorrect. The following schedule details the net effect of the misclasses for fiscal year 2000:

<u>Revenue Source Code</u>	<u>Description</u>	<u>Fiscal Year</u>	<u>Effect (Understated)/Overstated</u>
681	Student Union	2000	(\$1,065.00)
644	Bad Check Penalty Fees	2000	\$1,050.00
664	State Park Fees	2000	\$15.00

Chapter 5A, Article 2, Section 24 of the West Virginia Code, as amended, states:

“It is the intent of this section to establish a centralized accounting system for the offices of the auditor, treasurer, board of investments, secretary of administration and each spending unit of state government to provide more accurate and timely financial data and increase public accountability.

Notwithstanding any provision of this code to the contrary, the secretary shall develop and implement a new centralized accounting system for the planning, reporting and control of state expenditures in accordance with generally accepted accounting principles to be used by the auditor, treasurer, board of investments, secretary and all spending units. The accounting system shall provide for adequate internal controls, accounting procedures, recording income collections, systems operation procedures and manuals, and periodic and annual general purpose financial statements, as well as provide for the daily exchange of needed information among users....”

Also, the object code descriptions in the *Expenditure Schedule Instructions* states in part:

“Revenue Class 640 (Special Revenue)

644- Bad Check Penalty Fees: Service charge for bad checks.

664- State Park Sales: Revenue generated from sales at Blennerhasset Island.

681- Student Union: Counter sales collected at the student unions.”

The primary financial accounting system used by Marshall University was converted from the College and University Systems (CUFS) to Banner Finance at the beginning of fiscal year

2000. According to the Marshall University Director of Accounting, mistakes and inconsistencies occurred when matching the WVFIMS revenue source codes to those used in the Banner Finance System.

We recommend Marshall University comply with Chapter 5A, Article 2, Section 24 of the West Virginia Code, as amended, and the State of West Virginia Expenditure Schedule Instructions.

University's Response

We agree with the recommendation and will try to avoid these errors in the future.

Underpayment for Terminal Pay

Due to an error made by the Marshall University Human Resources Department in transcribing an employee's annual leave balance, this employee was underpaid \$102.97 for his settlement pay when his employment was terminated effective July 31, 2000. The Human Resources Department calculates each terminating employee's leave balance and forwards these calculations to the Payroll Department on an *Annual/Sick Leave Calculations* worksheet. However, the underpaid employee's annual leave balance was understated by ten hours when the employee's balance was incorrectly recorded on the sheet as 151.51 hours instead of the correct balance of 161.51. As a result, the Payroll Department calculated the employee's final pay based on the erroneous leave balance which resulted in the \$102.97 underpayment.

Title 128, Series 35, Section 4.2(j) of the University System of West Virginia Board of Trustees Policy Bulletins states in part:

"An employee is entitled to accumulated leave at termination of service,..."

The Director of Human Resources and the Human Resources employee responsible for tracking leave balances agreed the employees leave balance was understated ten hours and that the employee was underpaid.

We recommend that Marshall University comply with Title 128, Series 35, Section 4.2(j) of the University System of West Virginia Policy Bulletins.

University's Response

We agree with the recommendation and will try to avoid these errors in the future.

Monies Not Deposited Timely

During our audit period we noted two occasions where payments totaling \$127.00 received by the Conference and Facilities Scheduling Office were not deposited within the 24 hour threshold. The late deposits ranged from two to four days late and are detailed in the following table:

<u>Debtor</u>	<u>Date Received</u>	<u>Date Deposited</u>	<u>Days Late</u>	<u>Amount</u>
Customer 1	10/7/99	10/11/99	4 Days	\$ 45.00
Customer 2	08/1/00	08/3/00	2 Days	<u>82.00</u>
			Total	<u>\$127.00</u>

Chapter 12, Article 2, Section 2 of the West Virginia Code states in part,

“(a) All officials and employees of the state authorized by statute to accept moneys so received for deposit in the state treasury and shall deposit within twenty-four hours with the state board of investments all moneys received or collected by them for or on behalf of the state for any purpose whatsoever. . .”

The Manager for the Conference and Facilities Scheduling Office stated she did not know why these monies were not deposited within twenty-four hours.

We recommend MU Student Center comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

University's Response

We agree with the recommendation and have implemented procedures to better monitor the timeliness of deposits.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balances of the Marshall University's Student Union Account for the years ending June 30, 2001 and June 30, 2000. The financial statement is the responsibility of the management of Marshall University. Our responsibility is to express an opinion on the financial statement based on our audit.

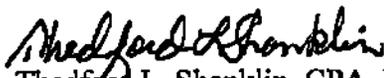
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to in the first paragraph above present fairly, in all material respects, the revenues collected and expenses paid of the Marshall University Student Union for the years ended June 30, 2001 and June 30, 2000 in conformity with the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectively submitted,


Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

August 20, 2002

Auditors: Ethelbert Scott Jr., Supervisor
Stanley D. Lynch, CPA, Auditor-in-Charge
Lori A. Sutton
Charles B. Thompson

**MARSHALL UNIVERSITY
STUDENT UNION ACCOUNT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES**

Year Ended June 30, 2001

	<u>Special Revenue</u>	<u>Bond Accounts</u>	<u>Combined Totals</u>
Cash Receipts:			
Bad Check Penalty Fees	\$ 0.00	\$ 0.00	\$ 0.00
State Park Sales	0.00	0.00	0.00
Other Rental Income	15,658.56	0.00	15,658.56
Tuition and Fees	760,966.19	0.00	760,966.19
Student Union	449,632.37	0.00	449,632.37
Other Collections, Fees, Licenses, and Income	234.00	0.00	234.00
Investment Earnings	<u>99,107.01</u>	<u>41,453.32</u>	<u>140,560.33</u>
	1,325,598.13	41,453.32	1,367,051.45
Personal Services:			
Personal Services	353,461.48	0.00	353,461.48
Employee Benefits	98,348.74	0.00	98,348.74
Current Expenses	451,770.90	0.00	451,770.90
Repairs and Alterations	106,078.50	0.00	106,078.50
Equipment	63,249.44	0.00	63,249.44
Other Extraordinary Disbursements:	250.00	0.00	250.00
Bearer Bonds Paid	0.00	140,000.00	140,000.00
Coupon Interest Paid	0.00	90,800.00	90,800.00
Paying Agent Bank Service Fees	0.00	525.00	525.00
Municipals Bond Commission Service Fees	<u>0.00</u>	<u>623.16</u>	<u>623.16</u>
	1,073,159.06	231,948.16	1,305,107.22
Cash Receipts Over/(Under) Disbursements	252,439.07	(190,494.84)	61,944.23
Transfers In/(Out)	(226,600.00)	226,600.00	0.00
Beginning Balance	<u>1,075,107.06</u>	<u>685,957.53</u>	<u>1,761,064.59</u>
Ending Balance	<u>\$1,100,946.13</u>	<u>\$722,062.69</u>	<u>\$1,823,008.82</u>

See Notes to Financial Statement

Year Ended June 30, 2000

<u>Special Revenue</u>	<u>Bond Accounts</u>	<u>Combined Totals</u>
\$ 1,050.00	\$ 0.00	\$ 1,050.00
15.00	0.00	15.00
20,709.28	0.00	20,709.28
745,992.21	0.00	745,992.21
499,125.90	0.00	499,125.90
1,284.00	0.00	1,284.00
<u>50,418.71</u>	<u>33,305.56</u>	<u>83,724.27</u>
1,318,595.10	33,305.56	1,351,900.66
341,889.16	0.00	341,889.16
89,018.92	0.00	89,018.92
435,295.65	0.00	435,295.65
396,247.42	0.00	396,247.42
25,220.45	0.00	25,220.45
250.00	0.00	250.00
0.00	135,000.00	135,000.00
0.00	98,900.00	98,900.00
0.00	473.99	473.99
<u>0.00</u>	<u>701.70</u>	<u>701.70</u>
1,287,921.60	235,075.69	1,522,997.29
30,673.50	(201,770.13)	(171,096.63)
(229,850.00)	229,850.00	0.00
<u>1,274,283.56</u>	<u>657,877.66</u>	<u>1,932,161.22</u>
<u>\$1,075,107.06</u>	<u>\$685,957.53</u>	<u>\$1,761,064.59</u>

MARSHALL UNIVERSITY
STUDENT UNION ACCOUNT
NOTES TO FINANCIAL STATEMENTS

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed for the Special Revenue Fund. Therefore, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

Note B - Marshall University \$3,600,000 University Center Revenue Bonds of 1969

The Bonds were issued under the provisions of the West Virginia Code of 1931, as amended, and supplemented by Chapters 18 and 25 and all other applicable provisions of law. The proceeds of the 1969 bonds were used to pay for the construction, acquiring and equipping of a University Student Center.

The payment of the debt service of all Bonds are secured equally and ratably by a first lien on the net revenues derived from the operation of the University Student Center and on the gross proceeds of the University Center Fee in an aggregate amount sufficient to pay the principle and interest of the Bonds.

The University Student Center Revenue Bonds of 1969, consisting of \$3,600,000 Serial Bonds numbered 1 through 720 in denominations of \$5,000 each, mature serially through January 1, 2009. The remaining outstanding Bonds maturing through the years 2009 are redeemable in whole and in part prior to their stated dates of maturity. Redemption prices for redemption in whole or in part are equal to the par value of the Bonds to be redeemed plus interest accrued to the date fixed for redemption.

A summary of the minimum annual Debt Service requirements with an assumed interest of 5.50% per annum for years subsequent to January 1, 2002, follows:

Bond Year Ending January 1	<u>Principle</u>	<u>Interest</u>	<u>Debt Service</u>
2003	\$155,000.00	\$71,225.00	\$226,225.00
2004	\$165,000.00	\$62,700.00	\$227,700.00
2005	\$175,000.00	\$53,625.00	\$228,625.00
2006	\$185,000.00	\$44,000.00	\$229,000.00
2007	\$195,000.00	\$33,825.00	\$228,825.00
2008	\$205,000.00	\$23,100.00	\$228,100.00
2009	\$215,000.00	\$11,825.00	\$226,825.00

Note C - Pension Plan

All eligible employees are members of the West Virginia Teachers' Retirement System or the Teachers' Insurance Annuity Association. Certain eligible employees belonging to the West Virginia State Teachers' Retirement System may also belong to the Teachers' Insurance Annuity Association.

For the West Virginia State Teachers' Retirement System employees' contribution are 6.0% of their compensation and employees are vested under certain circumstances. The aggregate of the University's contributions shall be the following percentages of the earned compensation of the members fiscal year 2000 - 15% and fiscal year 2001 - 15%.

For the Teachers' Insurance Annuity Association, employees' contributions are either 6.0% or 7.5% of their compensation and employees are vested under certain circumstances. Contributions by the University are also either 6.0% or 7.5% of the compensation on which the employee made contributions.

Contributions to the pension and retirement plans were as follows:

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
Special Revenue	<u>\$19,826.45</u>	<u>\$18,023.72</u>

SUPPLEMENTAL INFORMATION

MARSHALL UNIVERSITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Student Union Fund - 4231</u>		
Cash Receipts:		
Investment Income	\$ 99,107.01	\$ 50,418.71
Bad Check Penalty Fees	0.00	1,050.00
State Park Sales	0.00	15.00
Other Rental Income	15,658.56	20,709.28
Tuition and Fees	760,966.19	745,992.21
Student Union	449,632.37	499,125.90
Other Collections, Fees, Licenses, and Income	<u>234.00</u>	<u>1,284.00</u>
	1,325,598.13	1,318,595.10
Personal Services:		
Personal Services (with deductions)	343,724.69	338,291.19
Payroll Reimbursements	4,245.12	3,597.97
Annual Increment	5,491.67	0.00
Employee Benefits	98,348.74	89,018.92
Current Expenses	451,770.90	435,295.65
Repairs and Alterations	106,078.50	396,247.42
Equipment	63,249.44	25,220.45
Other Extraordinary Disbursements:	250.00	250.00
Transfer of Funds	<u>226,600.00</u>	<u>229,850.00</u>
	<u>1,299,759.06</u>	<u>1,517,771.60</u>
Cash Receipts Over/(Under) Disbursements	25,839.07	(199,176.50)
Beginning Balance	<u>1,075,107.06</u>	<u>1,274,283.56</u>
Ending Balance	<u>\$1,100,946.13</u>	<u>\$1,075,107.06</u>

STUDENT UNION ACCOUNT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
BOND ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>1969 University Center Bond</u>		
<u>Revenue Fund</u>		
Cash Receipts:		
Transfers from the Student Union Fund (4231)	\$226,600.00	\$229,850.00
Investment Earnings	<u>3,851.95</u>	<u>2,806.30</u>
	230,451.95	232,656.30
Disbursements::		
Bearer Bonds Paid	140,000.00	135,000.00
Coupon Interest Paid	90,800.00	98,900.00
Paying Agent Bank Service Fees	525.00	473.99
Municipal Bond Commission Service Fees	<u>623.16</u>	<u>701.70</u>
	<u>231,948.16</u>	<u>235,075.69</u>
Cash Receipts (Under) Disbursements	(1,496.21)	(2,419.39)
Beginning Balance	<u>70,008.92</u>	<u>72,428.31</u>
Ending Balance	<u>\$ 68,512.71</u>	<u>\$ 70,008.92</u>

MARSHALL UNIVERSITY

STUDENT UNION ACCOUNT

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

BOND ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>1969 University Center Bond</u>		
<u>Debt Service Reserve</u>		
Cash Receipts:		
Investment Earnings	\$ 20,834.41	\$ 16,899.22
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	20,834.41	16,899.22
Beginning Balance	<u>341,288.69</u>	<u>324,389.47</u>
Ending Balance	<u><u>\$362,123.10</u></u>	<u><u>\$341,288.69</u></u>

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>1969 University Center Bond</u>		
<u>Maintenance & Equipment</u>		
Cash Receipts:		
Investment Earnings	\$ 16,766.96	\$ 13,600.04
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	16,766.96	13,600.04
Beginning Balance	<u>274,659.92</u>	<u>\$261,059.88</u>
Ending Balance	<u><u>\$291,426.88</u></u>	<u><u>\$274,659.92</u></u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 15th day of September 2002.


Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to Marshall University; Higher Education Policy Commission; Governor; Attorney General; State Auditor; and Director of Finance Division, Department of Administration.