

LEGISLATIVE POST AUDIT REPORT

MARSHALL UNIVERSITY ATHLETIC DEPARTMENT

For the Period: July 1, 2010 - June 30, 2011

AUDIT SUMMARY

- Internal Controls over the Collection of Sports Camp Revenues
- Failure to Record Receipt Date for Sports Camp Payments
- Late Payment of Vendor Invoice
- Lack of Policies and Procedures on Calculating Separation Pay



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

In compliance with the provisions of the WV Code §4-2, as amended, we have conducted an audit of the Marshall University Athletic Department (MUAD) for the period of July 1, 2010 through June 30, 2011. This report is limited to Marshall University Athletic Department's activities related to expenditures, revenue collections and deposits made in MUAD accounts during fiscal year 2011 (July 1, 2010 – June 30, 2011).

We have conducted our audit in accordance with Generally Accepted Government Auditing Standards except for the organizational independence impairment. Our audit disclosed certain findings that are detailed in this report. Included in Appendix A of this report are MUAD's responses to our audit findings.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

**MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011**

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MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011

EXECUTIVE SUMMARY

Finding 1 Internal Controls over the Collection of Sports Camp Revenues

A control deficiency exists in the sports camp revenue collection process because the same individual often is responsible for both the collection of camp revenues and recording of the attendee roster. Failure to segregate these duties increases the risk of fraud and, if fraud were to occur, reduces the chance the fraudulent activity will be detected. For one camp in our sample the amount deposited exceeded our calculated amount by \$1,225. According to camp documents reviewed for another camp, the MUAD was underpaid \$104 for the facility use fee. Total deposits for sports camps for fiscal year 2011 totaled \$98,348.60.

Auditor's Recommendation

We recommend the MUAD comply with Section 3 of the WVSTO's *Cash Receipts Handbook for West Virginia Spending Units*. In order to comply with this recommendation, we suggest the MUAD consider requiring sports camps fees be remitted by attendees directly to the Marshall University Financial Office. Those responsible for collection should not prepare the camp roster. We further suggest that an MUAD employee independent of the collection and recording process reconcile the receipts to the sports camp roster and investigate any discrepancies noted. Finally, we recommend MUAD document and disseminate to applicable staff the procedures developed for sports camp revenues.

Spending Unit's Response

See Appendix A

Finding 2 Failure to Record Receipt Date for Sport Camp Payments

The Marshall University Athletic Department (MUAD) does not require the recording of the receipt date for payments received for Sports Camps. Therefore, we could not determine if these receipts were deposited within 24 hours as required by State statute. We did, however, note that multiple checks were dated several days prior to their deposit (up to 25 days), which strongly suggests that some receipts may have not been deposited within 24 hours of their receipt. Total deposits for sports camps for fiscal year 2011 totaled \$98,348.60.

Auditor's Recommendation

We recommend the MUAD comply with WV Code §12-2-2, as amended, by developing and implementing a procedure requiring employees to record the receipt date for sports camp payments.

Spending Unit's Response

See Appendix A

Finding 3 Late Payment of Vendor Invoice

The Marshall University Accounting Office did not pay a vendor invoice to Goodwill Corporation for \$1,475.00 until 141 days after invoice date. The payment was for janitorial services provided by Goodwill for the MU Football Stadium.

Auditor's Recommendation

We recommend MU comply with Section 5.1 of Marshall University's Board of Governor's Policy No. FA-9 and develop and implement a policy requiring the timely payment of vendor invoices.

Spending Unit's Response

See Appendix A

Finding 4 Lack of Policies and Procedures on Calculating Separation Pay

Neither the Higher Education Policy Commission (HEPC) nor Marshall University has a written procedure in place that provides guidance on how lump sum payments should be calculated for terminating employees. Although higher education institutions are not subject to their authority, the West Virginia Division of Personnel (DOP) provides instruction on calculating terminal pay. The method used by Marshall University often creates differences in the amount of separation pay when compared to what a separating employee would receive had either the employee chosen to remain on the payroll or if the DOP method was used in calculating terminal pay. For the six employees we tested, two employees would have received a combined total of \$49.82 more; while three (3) employees would have received a combined total of \$37.31 less had Marshall used the DOP method of calculating terminal pay.

Auditor's Recommendation

There are no documented rules regarding how Marshall should calculate lump sum annual leave payments or for payments for employee's that work less than a full pay period; therefore, we recommend the agency voluntarily elect to follow the terminal pay method outlined in Section 14.3(f) of the Division of Personnel's Legislative Rule 143, Series 1 (143CSR1).

Spending Unit's Response

See Appendix A

MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011

INTRODUCTION

POST AUDIT AUTHORITY

This report is on the post audit of the expenditures and revenues of Marshall University Athletics Department (MUAD). This report is limited to Marshall University Athletic Department's activities related to expenditures, revenue collections and deposits made in MUAD accounts during fiscal year 2011 (July 1, 2010 – June 30, 2011).

Our audit of MUAD's expenditures and revenues was conducted pursuant to Chapter 4, Article 2, as amended, of the West Virginia Code. This article requires the Legislative Auditor to "make post audits of the revenues and expenditures of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the State and of the organization and functions of the State and its spending units."

BACKGROUND¹

Marshall traces its origin to 1837 when residents of the community of Guyandotte, then part of Virginia, and the farming region nearby turned their attention to providing better educational facilities for their sons and daughters. According to tradition, they met at the home of local lawyer John Laidley, planned their school, and named it Marshall Academy in honor of a friend of Laidley's, the late Chief Justice of the United States John Marshall. They chose Maple Grove as the site for their school. It had been the site of a three-month subscription school as well as the church. It remained a subscription school for another term.

On March 30, 1838, the Virginia General Assembly formally incorporated Marshall Academy.

¹ Background information for Marshall University obtained from the University's Web Site (<http://www.marshall.edu/muhistory/>).

MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011

MARSHALL UNIVERSITY CONTACTS

Stephen Kopp.....President
Mary Ellen HeutonChief Financial Officer
Michael Hamrick Athletics Director
David Steele.Associate Athletics Director
Aaron Goebbel Associate Athletics Director for External Affairs & Ticketing
Joe Wortham.....Supervisor/Facilities
Juanita Parsons Director of Accounts Payable & Payroll
Shyla AbrahamManager/Payroll Senior
Michelle Douglas..... Director of HR Services
Melanie Gallaher..... Office Administrator Sr.
Tanya Ramsey Office Administrator Sr.

MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011

AUDIT SCOPE

We have audited the Marshall University Athletics Department (MUAD) expenditures and revenues for the period of July 1, 2010 through June 30, 2011. The scope of this report is limited to Marshall University Athletic Department's activities related to expenditures, revenue collections and deposits made in MUAD accounts during fiscal year 2011 (July 1, 2010 – June 30, 2011). The audit was conducted in accordance with Generally Accepted Government Auditing Standards: July 2007 Revision, except for the organizational independence described in the Objectives and Methodologies section below.

OBJECTIVES AND METHODOLOGIES

The objectives of our post audit were to audit expenditures, revenue collections and deposits for fiscal year 2011, to report any misapplication of State funds or noted erroneous, extravagant, or unlawful expenditures by MUAD; to ascertain facts, and to make recommendations to the Legislature concerning audit findings. We were to determine whether monies due MUAD were collected, if these revenues were properly deposited, and if revenue transactions were recorded properly in the accounting systems. Additionally, we were to examine MUAD's records and internal control over expenditure transactions and to evaluate MUAD's compliance with applicable State laws, rules, and regulations. Lastly, we were to assess and reduce audit risk.

Except for the organizational impairment described in the following paragraph, we conducted this post audit in accordance with the standards applicable to performance audits contained in Generally Accepted Government Auditing Standards: July 2007 Revision. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about MUAD's compliance with those requirements referred to above and performing such other procedures, as we considered necessary in the circumstances.

In accordance with W. Va. Code §4-2, the Post Audit Division is required to conduct post audits of the revenues and expenditures of the spending units of the state government. The Post Audit Division is organized under the Legislative Branch of the State and our audits are reported to the Legislative Post Audits Subcommittee. Therefore, the Division has historically been organizationally independent when audits are performed on an agency, board, or program of the Executive Branch of the State. However, this organizational independence was impaired when the President of the Senate became acting Governor of the State on November 15, 2010, in accordance with W.Va. Code §3-10-2. Audit work for any audit conducted after this date, but before November 13, 2011, will not comply with Generally Accepted Governmental Auditing Standards: July 2007 Revision, sections 3.12 – 3.15. These sections of the auditing standards assert that the ability of an audit organization to perform work and report the results objectively can be affected by placement within the governmental organizational structure. Since the President of the Senate was acting Governor, the Executive Branch had the ability to influence the initiation, scope, timing, and completion of any audit. The Executive Branch could also obstruct audit reporting, including the findings and conclusions or the manner, means, or timing of the audit organization's reports.

In preparation for our testing, we reviewed Chapter 18B of the West Virginia (WV) Code, which specifically relates to WV Higher Education institutions. We also reviewed the other applicable sections of the WV Code. In addition, we reviewed Title 133, Series 1 through 53 of the West Virginia Higher Education Policy Commission's (HEPC) rules and regulations and the MUAD Board of Governor's Policies Nos. 1 through 59. We documented provisions of the above that we considered significant. We determined compliance with those requirements noted in criteria listed above by interview, observation of the MUAD's operations, and through inspection of and conducting audit tests on MUAD documents and records. In addition, we obtained certain financial information recorded in WVFIMS via Crystal Reports. We also obtained and reviewed financial information recorded in the Banner accounting system, which is the primary accounting system used by Marshall University. We obtained extensive documentation from the Paciolan Ticketing Software used by MUAD to record and collect ticket revenue. Additionally, we reviewed the MUAD budget, studied financial trends, and interviewed MUAD personnel to obtain an understanding of the programs and the internal controls respective to the scope of our audit. We prepared "procedure narratives" from these interviews and provided the interviewees opportunities to review and approve these narratives in order to diminish the chance of errors or misunderstandings. In planning and conducting our audit, we focused on the financial-related areas of operations.

To select transactions for testing, both statistical and non-statistical sampling approaches were used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were selected for testing randomly and by using professional judgment. Projections are only applicable to those samples chosen statistically. Where projections provide relevant information, they have been included in this report.

MUAD's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, applying any evaluation of internal control to future periods is subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations.

CONCLUSIONS

Marshall University Athletics Department (MUAD) had a strong internal control system in most areas with the exception of sports camps. The Paciolan Ticketing Software proved difficult to audit, due to its unwieldy nature when trying to reconcile Paciolan reports with other accounting software, such as Banner or WVFIMS. However Paciolan software had strong controls. Paciolan is the industry standard and is used, not only by MUAD, but by the majority of the athletic departments of the major colleges and universities (NCAA Football Bowl Subdivision).

For some of the items tested, MUAD did not comply with parts of WV Code and MUAD Board of Governors Policies. Instances of noncompliance related to a lack of internal controls and inadequate record-keeping for sports camps. Specifically, the internal controls related to failure to segregate the receipt and deposit functions from the record-keeping functions as the same individual (the coach, or

his/her designated individual) maintained the roster and collected payments for sports camps. This lack of segregation of duties makes fraud possible and more difficult to catch if perpetrated. However, we did not note any fraud in our audit. Also, the process for the collection of sports camps revenues did not include the recording of receipt date for payments. Therefore, it was not possible to determine how long receipts were held by those receiving payments until they were deposited into MU accounts. However, the significant time interval between check dates and deposit dates for some receipts indicates that some receipts may have not been deposited within 24 hours as required by statute.

This report includes findings regarding significant instances of noncompliance with applicable laws, rules and regulations. We noted another instance of noncompliance that, while not significant enough to warrant inclusion in this report, still merited the attention of MUAD Management. This item was communicated in a letter to MUAD management.

EXIT CONFERENCE

We discussed this report with management of MUAD on November 26th, 2013. All findings and recommendations were reviewed and discussed. Management's response has been included at the end of the report in Appendix A.

**MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011**

FUND LISTING

We have completed a post audit of the expenditures for Marshall University Athletics Department (MUAD) and the collection and deposit of revenues by MUAD. The examination covers the period of July 1, 2010 – June 30, 2011.

SPECIAL REVENUE ACCOUNTS

MUAD maintained the following special revenue accounts. These accounts represent funds from specific activities as required by law or administrative regulations. These funds were deposited with the State Treasurer in the following special revenue accounts:

| <u>Fund Number</u> | <u>Fund Name</u> |
|-------------------------------|------------------------------------|
| 4890..... | Tuition and Required E&G Fees |
| 4891 | Auxiliary & Auxiliary Capital Fees |

Tuition & Required Educational & General (E&G) Fees Fund

This fund comprises other collections, fees, tuition, and interest on investments to fund required educational and general fees (governed by W.Va. Code §18B-10-1).

Auxiliary & Auxiliary Capital Fees Fund

This fund comprises other collections, fees, tuitions, and interest on investments to fund auxiliary capital fees expenditure (governed by W.Va. Code §18B-10-1).

MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011

REPORTABLE COMPLIANCE AND OTHER MATTERS

Finding 1

Internal Controls over the Collection of Sports Camp Revenues

Condition:

It is the intention of the MU Athletic Department to deposit all sports camp revenues into MU accounts. The moneys are subsequently allocated as follows: (a) MU retains \$2.00 for each participant as payment for the use of facilities (facility use fee); (b) If on-campus overnight lodging is offered, MU pays MU Residence Services for rooms used by participants; (c) MU pays Sodexho, Inc. (the current food service contractor for MU) for meals provided for participants; and (d) The balance of the moneys are disbursed as the head coach running the camp deems fit, usually as regular employee pay to the other coaches conducting the sports camps.

A camp roster of camp participants is prepared for each sports camp. The roster, in turn, can be used to determine how much should be deposited into MU accounts for the camp. Once calculated, this amount can be reconciled to the actual camp deposits. However, the value of such reconciliation is negligible since the collection of sports camp revenues and the recording of the roster of camp attendees are handled by the same person. This person is either the coach leading the camp or a person designated by the coach.

We selected four camps for testing and noted the following:

- (1) We calculated the amount due MU for camps based on the number of camp participants, as documented on the camp roster, and the amount charged each participant, as indicated on camp brochures and other documents. For one camp in our sample the amount deposited exceeded our calculated amount by \$1,225. MUAD personnel were unable to explain the discrepancy;
- (2) According to camp documents reviewed for another camp, the MUAD was underpaid \$104 for the facility use fee. On October 6, 2011, MU officials paid \$640 to the MUAD Facility Maintenance Department for the camp facility fee. This would be the correct facility use fee for the camp if there were 80 camp registrants; however, our review of the camp roster indicated there were 93 registrants.² Therefore, MUAD should have received \$744 (\$2 per day x 4 days x 93 registrants). As a

² We reconciled the roster indicating 93 registrants to the amount initially deposited into MU accounts for camp fees (Number of Registrants X Individual Camp Fee Charge). This amount collected and deposited was consistent with 93 registrants. Therefore, we can provide reasonable assurance that the camp had a minimum of 93 registrants since payment was received and deposited for this number; however, due lack of internal controls over camp fee collections as detailed in this finding, it is our opinion there is a significant risk the number of camp participants may have exceeded the 93 documented on the roster.

result, the MUAD Facility Maintenance Department was underpaid by \$104. MUAD personnel were unable to explain the reason for the underpayment.

Criteria:

WV Code §12-2-2, as amended, states in part:

“(a)...The State Treasurer may review the procedures and methods used by officials and employees authorized to accept moneys due the state and change the procedures and methods if he or she determines it is in the best interest of the state: Provided, That the state Treasurer may not review or amend the procedures by which the Department of Revenue accepts moneys due the state.... (Emphasis Added)”

The MUAD Sports Camps Accounting and Finance Procedures states in part:

“...The per camper fee to facility scheduling is currently \$2. Please remember to coordinate with the facility scheduling on camp attendance for payment of the camper fee (\$2 per camper) – and submit all invoices to the business office for processing. Facilities Scheduling will issue invoices...”

Best business practices dictate that no one person should be allowed to collect, handle or transport and deposit checks/currency without some additional control feature to ensure that all funds are collected and properly deposited. Such controls may include, but not necessarily be limited to, the following:

- Maintain a log of all monies received.
- Provide a receipt. Ideally receipts should be pre-numbered and two-part. One copy should be provided to the payer while the other copy is kept on file. Total deposits can be verified independently by another person by accounting for each sequentially numbered receipt.
- Make timely deposits. The sooner you deposit cash/checks the less exposure to theft or loss of funds. Ideally deposits should be made within 24 hours.
- Verify the deposit by agreeing Cash Operations deposit slip to the general ledger on a monthly basis.
- Duties should be segregated; meaning the person recording the receipt should not be the same person that is making the deposit. Additionally, a person independent of recorder and depositor responsibilities should reconcile the deposit to the receipt log/general ledger.

Cause:

Adequate internal controls over the collection and deposit of camp revenues have not been developed, documented and implemented. Such controls would mitigate the risk of fraud or inadvertent errors. If such controls had been in place, the discrepancy between the number of participants on the roster and the amount deposited into MU accounts for camp fees, as noted in (1) above, either may have been averted or corrected. In addition, after MU employees

calculate the Facility Use Fee charges for camps, there is no procedure whereby management reviews and approves this calculation. Such a procedure would serve to mitigate the risk of an incorrect assessment of the fee, such as the one noted in (2) above.

Effect:

Total deposits for sports camps for fiscal year 2011 totaled \$98,348.60. Since it is the intention of the MU Athletic Department to deposit all collections for sports camps into MU Athletic Department accounts and allocate them in the manner described in the *Condition* section of this finding, we believe all of these moneys are Athletic Department revenues from the time collection occurs until they are disbursed. As such, the MUAD has a responsibility to develop and implement practical internal controls over the collection, recording, deposit and reconciliation of these moneys in order to reduce the risk that moneys may be lost due to either fraudulent activity or inadvertent error.

A control deficiency exists in camp revenue collection process because the same individual often is responsible for both the collection of camp revenues and recording of the attendee roster. This practice increases the risk of fraud and, if fraud were to occur, reduces the risk the fraudulent activity will be detected. We believe controls are further compromised since the MUAD does not require a third employee, independent of both the collection and recording process, to reconcile collections to the attendee roster and resolve any differences noted. Also, we believe segregating these functions would mitigate the risk that inadvertent errors would remain undetected.

Recommendation:

We recommend the MUAD comply with Section 3 of the WVSTO's *Cash Receipts Handbook for West Virginia Spending Units*. In order to comply with this recommendation, we suggest the MUAD consider requiring sports camps fees be remitted by attendees directly to the Marshall University Financial Office. Those responsible for collection should not prepare the camp roster. We further suggest an MUAD employee independent of the collection and recording process reconcile the receipts to the sports camp roster and investigate any discrepancies noted. Finally, we recommend MUAD document and disseminate to applicable staff the procedures developed for sports camp revenues.

Spending Unit's Response

See Appendix A

Finding 2 **Failure to Record Receipt Date for Sport Camp Payments**

Condition: The Marshall University Athletic Department (MUAD) does not require the recording of the receipt date for payments received for Sports Camps. Therefore, we could not determine if these receipts were deposited within 24 hours as required by State statute. We did, however, note that multiple checks were dated several days prior to their deposit (up to 25 days), which strongly suggests that some receipts may have not been deposited within 24 hours of their receipt.

Criteria: WV Code §12-2-2, as amended effective July 8, 2005, states in part:

“(a) All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of moneys received for deposit in the State Treasury and **shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them** for or on behalf of the state for any purpose whatsoever...” **(Emphasis Added)**

Cause: The MUAD does not require MU staff to record the date received for Sports Camp payments.

Effect: Since the receipt dates for Sports Camp payments are not recorded, we could not definitively determine if Sports camps payments were deposited within the time constraints imposed by State statute. However, the significant time interval between check dates and deposit dates for some receipts indicates that some receipts may have not been deposited within 24 hours. Failure to deposit receipts timely increases the risk of receipts may be lost or stolen. Total deposits for sports camps for fiscal year 2011 totaled \$98,348.60.

Recommendation: We recommend the MUAD comply with WV Code §12-2-2, as amended, by developing and implementing a procedure requiring employees to record the receipt date for sports camp payments.

Spending Unit's Response

See Appendix A

Finding 3 **Late Payment of Vendor Invoice**

Condition: The Marshall University Accounting Office did not pay a vendor invoice to Goodwill Corporation for \$1,475.00 until 141 days after invoice date. The payment was for janitorial services provided by Goodwill for the MU Football Stadium.

Criteria: Section 5.1 of Marshall University’s Board of Governor’s Policy No. FA-9 (Purchasing Policy) states in part:

 “The President of Marshall University shall, in the name of the Governing Board, have the authority and duty to:...

 5.1.2 Recommend to the Governing Board additional rules or modifications as may be required **for the efficient and cost effective management of purchases...** (Emphasis Added)

To maintain good vendor relationships, best business practices dictate the prompt payment of vendor invoices. Prompt payment means suppliers can be safe in the knowledge they will be paid and confident they are working for a buyer that values their goods and services.

Cause: Marshall University’s Supervisor of Facilities stated in an email,

 “There was confusion between Athletics and the University Facilities Scheduling Office on who was responsible for processing the invoice for payment. After receipt of the past due notice and communication with the Facilities Scheduling Office, it was determined that Athletics would process the payment which was made on my p-card on June 3, 2011.”

Effect: The State of West Virginia could become liable for interest/penalties due the vendor if an invoice is not paid by the invoice due date. Further, business relationships between the state and vendors could become tarnished due to untimely payment of vendor invoices, and could result in vendor’s refusal to provide future services.

Recommendation: We recommend MU comply with Section 5.1 of Marshall University’s Board of Governor’s Policy No. FA-9 and develop and implement a policy requiring the timely payment of vendor invoices.

Spending Unit’s Response

See Appendix A

Finding 4**Lack of Policies and Procedures on Calculating Separation Pay****Condition:**

When higher education employees separate from employment, the agency is responsible for calculating each employee's separation pay. Terminating employees have the option of receiving their separation pay as either a lump sum payment or they may elect to remain on the payroll until their annual leave balance has been exhausted.

Neither the Higher Education Policy Commission (HEPC) nor Marshall University has a written procedure in place that provides guidance on how lump sum payments should be calculated. Although higher education institutions are not subject to their authority, the West Virginia Division of Personnel provides instruction on calculating terminal pay by way of a Legislative rule (143CSR1). This rule states lump sum payments should be calculated as though separating employees were remaining on payroll. Therefore, when this method is used, there is no difference in terminal pay regardless of whether a separating employee chooses to remain on the payroll or receives a lump sum payment.

When the Marshall University Payroll Department pays terminal pay by lump sum payment, they first calculate a "daily rate" by taking the employees gross pay and dividing it by 260 days. This daily rate is multiplied by the terminating employee's unused annual leave balance at the time of separation. This method often creates differences in the amount of separation pay when compared to what a separating employee would receive had either the employee chosen to remain on the payroll or if the Division of Personnel method was used in calculating terminal pay.

Criteria:

Chapter 5, Article 5, Section 3 of the West Virginia Code states in part:

"Every eligible employee, as defined in section one of this article, at the time his or her active employment ends due to resignation, death, retirement or otherwise, may be paid in a lump sum amount, at his or her option, for accrued and unused annual leave at the employee's usual rate of pay at the time..."

Section 14.3(f)-1 of the Division of Personnel's Legislative Rule Title 143, Series 1 (143CSR1) states in part:

"An employee may elect to be paid in semi-monthly installments at his or her usual rate of pay as if employment were continuing until the pay period during which the accrued annual leave is exhausted. If the last day for which leave payment is due falls before the day on which the pay period ends, terminal annual leave payment for those days within

that pay period shall be calculated using the daily rate for the half-month in which the last day on payroll occurs...”

Section 14.3(f)-2 of the same rule states in part:

“...Terminal annual leave payment for an employee who selects a lump sum payment shall be calculated as if employment were continuing until the pay period during which the accrued annual leave is exhausted in accordance with paragraph one of this subdivision...”

Marshall is not required to follow the above criteria regarding the Division of Personnel (DoP), yet the DoP method is the commonly followed method among state agencies.

Cause: A MU Payroll Department employee said, “We always use 260 work days in a year to calculate a daily rate; 5 days per week x 52 weeks = 260. That has been our standard Payroll procedure for as many years as I can remember.”

Effect: We tested six employees for our MU retirements and resignations test, five of which received separation pay. Had these employees worked for an agency that followed the Division of Personnel method in calculating terminal pay, their terminal pay would not have been the same. Two (2) employees would have received a combined total of \$49.82 more for their terminal pay; while three (3) employees would have received a combined total of \$37.31 less for their terminal pay. We believe there should be consistency between all state agencies and the value of an employee’s terminal annual leave pay should not vary simply due to the State agency that employs a separating employee.

Recommendation: There are no documented rules regarding how Marshall should calculate lump sum annual leave payments or for payments for employee’s that work less than a full pay period; therefore, we recommend the agency voluntarily elect to follow the terminal pay method outlined in Section 14.3(f) of the Division of Personnel’s Legislative Rule 143, Series 1 (143CSR1).

Spending Unit’s Response

See Appendix A

**MARSHALL UNIVERSITY ATHLETIC DEPARTMENT
JULY 1, 2010 – JUNE 30, 2011**

APPENDIX A



Department of Athletics

DATE: November 20, 2013

TO: Stacy L Sneed, Director of Legislative Post Audit Division

FROM: Mary Ellen Heuton, Chief Financial Officer

David Steele, Associate Athletics Director

RE: Marshall University Athletics Department Audit Report Responses

Thank you for your report and the opportunity to respond. The Athletic Department thanks your staff for their time in conducting this audit and preparing the report. We appreciate this review and the opportunity to improve our processes.

Finding 1 - Internal Controls over the Sports Camp Revenues.

We agree with the finding and the need for proper segregation of duties in this area. Staffing limitations and the time and location of the sports camps can make proper segregation of duties at times difficult. We will review our procedures and make changes where possible. All Athletic Department staff with "Cash Receipts" duties are being scheduled to attend the training sessions conducted by the MU Office of the Bursar, which covers both the segregation of duties requirements and the requirements for timeliness of deposits.

Finding 2 – Failure to Record Receipt Date for Sports Camp Payments

We agree with the finding and the need for prompt deposits of sports camp payments received. We will add this step to our current camp procedures to improve date of payment documentation and will continue to emphasize the required timely deposit rule to our staff.

Finding 3 - Late Payment of Vendor Invoice

We agree with the finding and the need for timely payment of invoices. There was confusion on the invoice in question as to which department should process the payment which contributed to the delay. The two departments have since met and have agreed how invoices of this type will be processed in the future. Prompt payment of invoices will also be covered in Departmental staff meetings to remind all Athletics staff of this issue.

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Finding 4 - Lack of Policies and Procedures on Calculation of Separation Pay

The athletic department uses the calculations and procedures as provided by university payroll and human resources when submitting separation payments for processing. We would follow any changes in procedures when implemented by the university. The University will review the Division of Personnel Legislative Rule and will consider establishing a University procedure to address the calculations.

Please accept the responses above for inclusion into your report. If we can be of further assistance in this matter, just let us know.

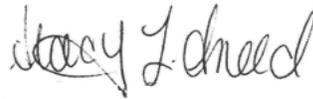
CERTIFICATE OF DIRECTOR, LEGISLATIVE POST AUDIT DIVISION

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, 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 5th day of December 2013.



Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to Marshall University; Marshall University Governing Board; Higher Education Policy Commission; Governor; Attorney General; and the State Auditor.