

Western Swing Club Audit



Office of the Internal Auditor

Audit Report 2016 - 04

August 12, 2016

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EXECUTIVE SUMMARY

The Western Swing Club is an active student club and a long standing tradition at Snow College. The Club was established to provide a way for students and the public to participate in a weekly western dance event. The club operates using funds collected through membership dues, and admission fees collected at the door for the weekly western dance event. The club also provides leadership opportunities to students through participation as club student leaders who plan and carry out the club activities, meetings and events. Benefits of club membership include t-shirts, socials and discounts into the weekly western dance event.



According to information in Banner, the club generated \$28,762.12 in revenues over the past five years. Club operating expenses were \$27,637.20.

In addition to paying for supplies, advertising, food and events, club funds have been used to help pay for an outside instructor from the Western Dance Club of Utah who teaches the PE 1710 course Western Swing Dance, to pay rent for a room at Roy's Pizza parlor where the Western Swing courses and weekly dance events are held, and to pay tuition for club presidency members.

The main audit objectives were to determine if Western Swing Club internal controls provide for:

- Reasonable assurance regarding financial reporting
- Effectiveness and efficiency of operations
- Compliance with Snow College policies and best business practices

The department of Internal Audit completed a thorough review of all revenue and expense transactions of the Western Swing Club for the fiscal years 2012 - 2016. Internal Audit also reviewed the internal controls and processes for the collection of membership dues and entry into the weekly western dance events.

There were control deficiencies found in cash handling, recording of revenues and expenses, contracts with third party vendors and scholarships.

1. There was a lack of cash handling controls such as policies and procedures, issuance and retention of receipts, reconciliation of deposits with receipts, timeliness of deposits. There was also an unapproved cash reserve fund totaling \$70 that was stored at the club advisor's house.
2. There were no signed contracts with vendors for the lease of the space at Roy's Pizza or for the outside instructor with Western Dance Club of Utah.
3. Some revenues and expenses were not recorded in Banner.
4. PE department and Western Swing Club overpaid for the Western Swing Dance instruction for the PE credit course.
5. There was a lack of transparency in scholarships paid using Western Swing Club funds.

To remediate these issues, Internal Audit recommends:

1. The Controller's Office and Student Life and Leadership develop and implement cash handling policies and procedures for all clubs.
 - Include cash handling procedures in the club handbook and provide cash handling training to club leaders and advisors.
 - Monitor and enforce compliance with cash handling procedures.
2. The PE Department and Student Life and Leadership work with the college purchasing office to ensure the proper agreements and contracts are implemented for services provided by vendors for the Western Swing Club and PE Department.
3. Western Swing Club ensure all funds collected for the club memberships, the weekly western dance event, and all other activities where revenues are generated, are deposited through the campus cashiers.
4. Western Swing Club advisor oversee the proper expenditure of monies for the club functions and review expenditures and club financial records, which includes turning in a budget tracking form at the end of each semester with copies of all receipts.
5. PE Department pay instructors according to the pay scale for adjunct instructors and ensure all instructors go through the proper screening process. Also, discontinue paying the Western course instructor using Western Swing Club funds.

Internal Audit met with the Western Swing Club Advisor, her Supervisor, the Controller, and the Student Life Director several times during the course of the audit in order to keep them informed of the status of the audit as well as any process efficiencies that could be implemented. A more detailed listing of findings and recommendations can be found in the following pages of this report.

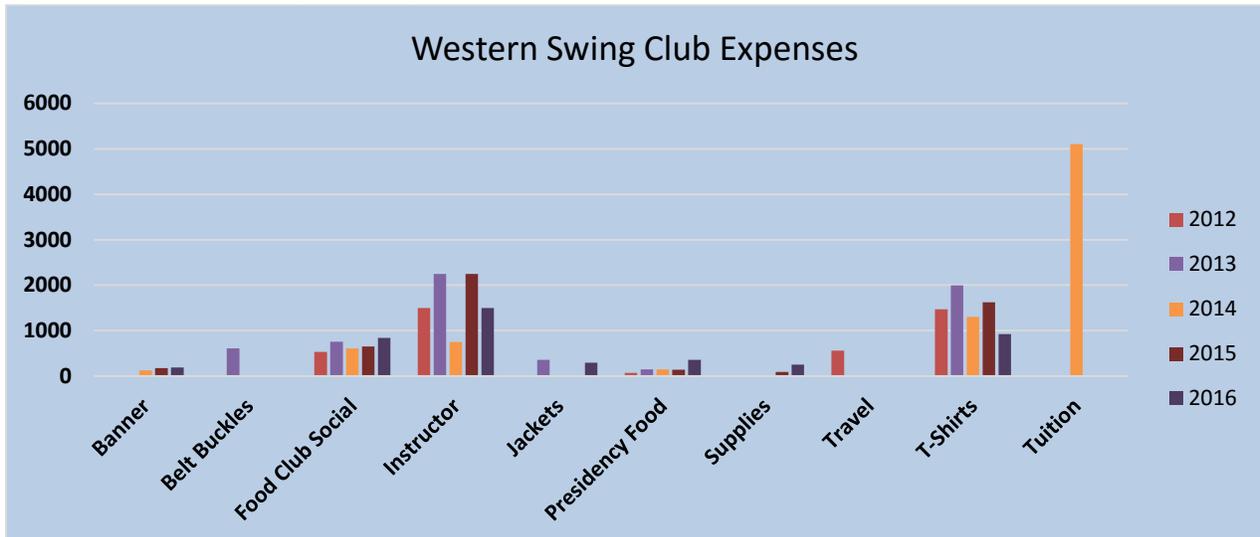
INTRODUCTION

BACKGROUND

The Western Swing Club is an active student club and a long standing tradition at Snow College. The Club was established to provide a way for students and the public to participate in a weekly western dance event. The club operates using funds collected through membership dues, and admission fees collected at the door for the weekly western dance social. The club also provides leadership opportunities to students through participation as club student leaders who plan and carry out the club activities, meetings and events. Benefits of club membership include t-shirts, food at meetings and socials and discounts into the weekly western dance event.

According to information in Banner, the club generated \$28,762.12 in revenues over the past five years and club operating expenses were \$27,637.20. Figure 1 below, illustrates the expenses paid out of the Western Swing Club fund between 2012 – 2016:

Figure 1: Western Swing Club Expenses



Revenues were generated through the weekly western dance event held and through membership dues paid by club members. Figure 2 below shows the total revenues generated each year:

Figure 2: Western Swing Club Revenues



AUDIT PURPOSE

The Physical Education chair and Director of Student Life and Leadership requested that Internal Audit conduct an audit of the Western Swing Club. The purpose of the audit was to determine if there were internal controls in place for the weekly western dance event held at Roy's Pizza.

The main audit objectives were to determine if Western Swing Club internal controls provide for:

- Reasonable assurance regarding financial reporting
- Effectiveness and efficiency of operations
- Compliance with Snow College policies and best business practices

SCOPE AND METHODOLOGY

The scope of the audit described above was for fiscal years 2012 - 2015. Audit procedures were developed to test the presence and strength of internal controls for cash handling and club events. Following were the test objectives:

- 1) Determine if separation of duties was enforced in cash handling processes and verify that funds received from cash transactions such as the weekly western dance event and membership dues collections were deposited.
- 2) Determine if club expenses were properly tracked using the club expense tracking form and recorded in Banner. Also determine if club expenses were appropriate and in-line with club activities and events.
- 3) Determine if Snow College has contracts with vendors that provide rent and instruction for Wester Swing club events and credit courses. Review the contracts and determine if the vendors and Snow College are in compliance with the contractual requirements.
- 4) Determine if expenses were properly approved and were not excessive. Determine if contracts for services and goods were properly approved.

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a thorough review of revenues and expenses recorded in Banner, purchasing card expenses, and contracts. The conclusions are only applicable for Snow. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal auditor.

FINDINGS AND RECOMMENDATIONS

There were control deficiencies found in cash handling, recording of revenues and expenses and contracts with third party vendors.

1. There was a lack of cash handling controls such as policies and procedures, issuance and retention of receipts, reconciliation of deposits with receipts, and timeliness of deposits. There was also an unapproved cash reserve fund totaling \$70 that was stored at the club advisor's house.
2. There were no signed contracts with vendors for the lease of the space at Roy's Pizza or for the outside instructor with Western Dance Club of Utah.
3. Some revenues and expenses were not recorded in Banner.
4. PE department and Western Swing Club overpaid for the Western Swing Dance instruction for the PE credit course.
5. There was a lack of transparency in scholarships paid using Western Swing Club funds.

Finding #1 - Lack of cash handling controls

There was a lack of cash handling controls such as policies and procedures, issuance and retention of receipts, reconciliation of deposits with receipts, timeliness of deposits, and security of funds. There was also an unapproved cash reserve fund totaling \$70 that was stored at the club advisor's house.

Western Dance Event

Roy's Pizza took an active role in collecting payments from students and the public for the weekly dance event. An employee with Roy's Pizza collected the money at the door from each person. At the end of the night, Roy's pizza kept the first \$200 collected and then split the remainder 50/50 with the Western Swing Club. The Western Swing Club received their portion through a check and deposited the check with the Ephraim campus cashier at a later date, typically at the end of each month. Checks from Roy's Pizza ranged from \$45 to \$350.

There was also no attendance log or tally kept by the club presidency or by Roy's Pizza. Without an attendance log, count or receipts, the amounts deposited could not be reconciled with the amounts collected.

Memberships

Cash was collected by the club advisor for memberships. The majority of the funds collected for memberships was received during club rush week. In Banner and on paper records it was not always possible to determine if the cash deposited was from memberships or for the western dance event.

The club advisor had an unapproved cash reserve account totaling \$70.00 stored at her house. According to the advisor, this fund was used to make change for students paying membership dues. When asked about why she didn't check out a cash box from the cashier, she stated that she didn't know she could check out a cash box.

Snow College Club handbook states "The charter of a club may be terminated for any of the following conditions: ... 5. Misuse of school funding and/or not keeping proper financial records."

Without proper internal controls for cash handling the Western Swing club is at risk of having their charter terminated due to misuse of school funding and not keeping proper financial records.

Finding #2 - No signed contracts with vendors

There were no signed contracts with vendors for the lease of the space or services provided by Roy's Pizza or for the outside instructor with Western Dance Club of Utah.

The Ephraim Social Hall, which is the top floor of Roy's Pizza, is the location where the Western Swing dance course is held and is also the typical of the weekly western dance event. According to the club advisor, this has been the location for the club dances and the western swing dance courses since they began. The location is convenient for students and is well suited for western swing because of the size of the room, spring board wood floors and the ambiance.



According to the Snow College purchasing office, a lease agreement does not require a competitive bid. Depending on the scope of the services provided by Roy's Pizza, a lease agreement may suffice.

The Western Dance Club of Utah is a third party vendor that provided instruction to the Western Swing Dance course. While there were requisitions, purchase orders and invoices for the Western Dance Club of Utah, the amounts billed and paid exceeded \$5000.

Snow College Procurement Policies and Procedures section 5.5.7 states: "Purchases which are for ongoing, continuous, and regularly scheduled procurement of goods or services must go through the proper bidding process, if the total amount is over \$5000."

Risks associated with third-party relationships and liability during the Western Swing class and weekly dance events cannot be properly managed without proper contracts in place.

Finding #3 – Some revenues and expenses were not recorded in Banner

Roy's Pizza took an active role in collecting payments from students and the public for the weekly dance event. An employee with Roy's Pizza collected the money at the door from each person. At the end of the night, Roy's pizza kept the first \$200 and then split the remainder 50/50 with the Western Swing Club. The Western Swing Club received their portion through a check.

There was no record kept showing the number of participants or the total amounts received each night. The only revenues that were recorded in Banner were the amounts paid to the Western Swing Club by Roy's Pizza. Also, expenses for the rental of the facility or royalties paid to Roy's Pizza were not recorded in Banner.

“Reliability of information is achieved only if complete financial information is provided relevant to the business and financial decision making needs of the users. Therefore, information must be complete in all material respects. Incomplete information reduces not only the relevance of the financial statements, it also decreases its reliability since users will be basing their decisions on information which only presents a partial view of the affairs of the entity.”¹

The total revenues generated should be recorded in the financial system. Also, a representative from the Western Swing Club or the advisor should be involved in the cash receipting process to ensure all funds received are accounted for.

Finding #4 – Overpayment for Western Swing course instruction

There was a vendor that was paid to teach the Western Swing credit courses that was not paid as an adjunct instructor. The cost for the vendor was shared by the PE Department and the Western Swing Club. In addition, the PE department paid for a separate adjunct instructor to teach the Western Swing class.

The Western Dance Club of Utah, Inc. under the direction of Mark Robbins, is a company that was founded in 1988. The Western Dance Club of Utah, provided western dance instruction to the students enrolled in the PE 1710 Western Swing Dance course.

¹ <http://accounting-simplified.com>

The following table illustrates the amounts instructors were paid for the PE 1710 Western Swing Dance Course between 2012 – 2016:

Figure 3: Amounts paid to instructors of the Western Swing PE credit course

Payor	Payee	2012	2013	2014	2015	2016	Grand Total
Student Club	Vendor – WSC of Utah	\$1,500	\$2,250	\$750	\$2,250	\$1,500	\$8,250
PE Department	Vendor – WSC of Utah	\$1,500	\$750	\$750	\$ 750	\$1,500	\$5,250
PE Department	Adjunct Instructor	\$2,170	\$2,170	\$2,170	\$2,170	\$2,170	\$10,850

Total Paid	\$5,170	\$5,170	\$3,670	\$4,085	\$4,085	\$24,350
Expected Amount	\$2,170	\$2,170	\$2,170	\$2,170	\$2,170	\$10,850
Difference/Amt Overpaid	\$3,000	\$3,000	\$1,500	\$3,000	\$3,000	\$13,500

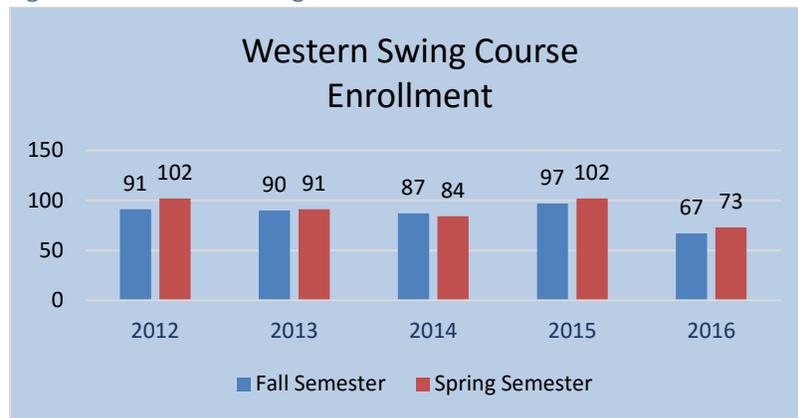
Snow college overpaid instructors by \$13,500 over a five-year period

The Western Swing Dance course was a 1.4 credit hour equivalency so the adjunct instructor was paid \$1085 per semester to teach the course. The adjunct instructor was also the Western Swing Club advisor. Club advisors are volunteer positions. The Advisor for the Western Swing Club puts in a lot of additional time with the club presidency organizing activities and recruiting members.

The adjunct instructor stated that “Snow College has always handled the instructors for the course this way. The Western Dance Club had the expertise to teach the dance steps and the adjunct handled the administrative responsibilities in the class such as taking roll, enforcing participation, and issuing grades.”

The Western Swing Dance course had higher than average enrollment each semester which is one reason there was an outside vendor teaching the course. The following chart illustrates the enrollment for the course between 2012 – 2016:

Figure 4: Western Swing Course Enrollment



Having an outside vendor teach the Western Swing course increased the cost to Snow College for the course instructors. In addition, the vendor did not go through the proper screening and is not included on the Snow College payroll as an adjunct instructor.

Finding #5 – Lack of transparency in scholarships paid using Western Swing Club funds

In 2014 the Western Swing Club advisor paid tuition for two members of the Western Swing Club Presidency, totaling \$5,105.00. The scholarships were awarded by the club advisor using club funds. The scholarships were not disclosed to the Western Swing Club members or Snow College students and were not awarded on a competitive basis.

The scholarships paid the tuition for the two students for both the fall and spring semesters. The Advisor sent a check request for the fall semester and then asked the scholarship department to make the request for the spring semester.

Snow College Scholarship Policy states “Snow College scholarships and/or “waivers” are awarded on a competitive basis with regard to merit and excellence, leadership and service experience, specific talents and financial need. The purpose of scholarships is to give talented, deserving students the opportunity to attend Snow College, thereby enriching institutional programs. Many of the scholarships awarded are defined as waivers. A “waiver” has no cash value.”

The current club advisor was not aware of the scholarships that were paid out by the prior advisor. She stated that she will not be awarding scholarships through the Western Swing Club.

RECOMMENDATIONS

Internal Audit recommends the following controls be implemented:

1. The Controller’s Office and Student Life and Leadership develop and implement cash handling policies and procedures for all clubs.
 - Include cash handling procedures in the club handbook and provide cash handling training to club leaders and advisors.
 - Monitor and enforce compliance with cash handling procedures.
2. The PE Department and Student Life and Leadership work with the college purchasing office to ensure the proper agreements and contracts are implemented for services provided by vendors for the Western Swing Club and PE Department.
3. Western Swing Club ensure all funds collected for the club memberships, the weekly western dance event, and all other activities where revenues are generated, are deposited through the campus cashiers.

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4. Western Swing Club advisor oversee the proper expenditure of monies for the club functions and review expenditures and club financial records, which includes turning in a budget tracking form at the end of each semester with copies of all receipts.
 5. PE Department pay instructors according to the pay scale for adjunct instructors and ensure all instructors go through the proper screening process. Also, discontinue paying the Western course instructor using Western Swing Club funds.

MANAGEMENT RESPONSE

On August 3, 2016, Internal Audit discussed the findings of this report with Robert Nielson (PE Director), Michelle Brown (Student Life and Leadership Director), Zeb White (Student Life and Leadership Assistant Director), and Meagan White (Controller).

The following were responses from Student Life and Leadership:

1. We will be implementing a new cash handling policy and training for club advisors and leadership and updating the club handbook/club policies in collaboration with the Business Office and Cashiers in accordance with proper cash handling policies. The current draft we have includes the following updates:
 - Club funds cannot be used for scholarships, student textbooks/school supplies without prior approval from the Director of Student Life and the VP for Student Success.
 - Cash handling at ANY student life/club event needs to be done by an employee(s) of Snow College with a cash box being checked out from the cashiers' office the day of the event (or day prior) and returned no later than 4 business hours (8am to 5 pm) after the event. All funds, along with corresponding sign-up sheets, receipt book(s), and cash balance sheet(s)/reconciliations need to be taken to the cashiers' office as soon as possible so that they can be deposited into the corresponding club account(s).
 - Club dues, entrance fees, etc. should be deposited into their respective club account before they can be used by the club. – No negative spending -
 - Cash boxes need to be checked out from the cashiers office on the 2nd floor of the GSC before club rush and returned immediately after the conclusion of club rush (same day) along with corresponding sign-up sheets, receipt book(s), and cash balance sheet(s)/reconciliations that will be provided at the time the box is checked out.
 - Dual signatures from club representatives will be required on all cash handling paperwork including: the cash balance sheet, over/short log, reconciliations, voided receipts, etc.
 - Overages and shortages will need to be recorded with explanations.

(To be completed and implemented during the Fall 2016 semester)

2. We will collaborate with the PE Department, Purchasing and outside entities to create standardized agreements, including leases, that will be overseen by Student Life personnel in order to standardize the procedure for using outside (off campus) vendors and venues.

(To be completed during the Fall 2016 semester and implemented by Spring 2017)

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3. Through the aforementioned updates to club cash handling policies a Student Life employee will facilitate the cash handling at the Western Swing Club events.

(Currently working with HR to implement a new position to oversee this with an estimated completion of January 2017)

4. The Western Swing Club advisor will submit club expenditures, p-card transactions, budget tracking form(s), and copies of all receipts and other financial activities directly to the Director of Student Life each month for review and approval.

(Currently working with HR to implement a new position to oversee this with an estimated completion of January 2017)

The following were responses from the PE Department:

1. We have no contract with the outside vendor who has been assisting in the course. In the future-beginning Spring 2017, only the adjunct instructor will be hired and paid as per college policy and there will be no need for contracts with outside vendors for instruction.
2. Beginning Spring 2017, the College will pay one person to teach the class with an adjunct load and pay rate. This person will be hired and paid using the regular college policies and procedures. Payment for this instructor will be made through the college and will be paid with monies allocated for adjunct instructors in the Physical Education Department.

The Controller's office is working on some standardized policies and procedures for cash handling that will apply to any college organization that handles cash. Internal Audit has agreed to be available to discuss any of these controls and to consult, as needed, on policy and procedure updates.