

MOREHEAD STATE UNIVERSITY

AUDIT COMMITTEE MEETING

Friday, October 18, 2019
ADUC
Heritage Room



MOREHEAD STATE UNIVERSITY

**BOARD OF REGENTS
AUDIT COMMITTEE**

**October 18, 2019
12:30 p.m.**

**Committee Members:
Audit Committee Chair, Wayne Martin
Kathy Walker
Eric Howard
Sanford Holbrook**

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
- III. APPROVE MINUTES OF JUNE 6, 2019 MEETING
- IV. RECOMMENDATIONS AND REPORTS
 - A. Accept 2018-2019 Audit Report
 - B. Report on Status of Internal Audits
- V. ADJOURNMENT

**BOARD OF REGENTS
AUDIT COMMITTEE MEETING MINUTES
Thursday, June 6, 2019**

The Audit Committee met at 9:00 a.m. on Thursday, June 6, 2019, in Room 329 of the Adron Doran University Center (ADUC), in Morehead, Kentucky. Audit Committee Chair Wayne Martin presided.

The following Audit Committee Members were present:

Wayne Martin, Audit Committee Chair & Board of Regents Vice Chair
Kathy Walker, Board of Regents Chair
Eric Howard
Pat Price

Also in attendance were Regents Sanford Holbrook and Craig Dennis. Administrative staff members present included President Jay Morgan, Jacqueline Graves, Staff Liaison to the Board of Regents, Caroline Atkins, Diversity Officer and Assistant to the President for Strategic Initiatives, Teresa Lindgren, Chief Financial Officer, Joe Hunsucker, Internal Auditor, Jeremy Withrow, Assistant Director of Accounting and Financial Services, Jami Hornbuckle, Assistant Vice President for Communications and Marketing, and LeeAnn Akers with Morehead Public Radio.

Mr. Holbrook moved to approve the minutes of the October 19, 2018 Committee Meeting as distributed. Ms. Walker seconded the motion and the motion carried unanimously.

RECOMMENDATION: That the Audit Committee approve the audit price and the extension of the auditing services contract with Dean Dorton Allen Ford, PLLC in Lexington to conduct the required annual audits for Morehead State University for the fiscal year that will end on June 30, 2019. *(Approve Reappointment of Auditing Firm and Price attached to these minutes).*

Mr. Withrow stated that KRS 164A.570 requires an annual audit be conducted for all universities in the state system. The Bylaws of the Board of Regents provide that the Audit Committee review, evaluate, and recommend to the full Board, an accounting firm to conduct the University's required annual audits. State statutes specify that the auditing firm must be selected through a request for proposal process, and that a personal services contract be issued to engage the firm. Mr. Withrow stated that the University contracted with Dean Dorton Allen Ford, PLLC for 2017-2018 fiscal year, whose services were satisfactory and in compliance with the terms of the contract. It was recommended that the contract for services be extended for the 2019-2020 fiscal year, for a fee not to exceed \$92,300.00.

MOTION: Mr. Howard moved that the Committee approve retention of the auditing firm and price. The motion was seconded by Mr. Price and carried unanimously.

RECOMMENDATION: That the Audit Committee approve the minimum scope of the University's audit for the year ending June 30, 2019. *(Minimum Scope of the Annual Audit attached to these minutes).*

Joe Hunsucker, Internal Auditor, explained that the University receives a yearly list from the Kentucky Auditor of Public Accounts regarding areas in the general purpose financial statements which must be audited and any other audit requirements by funding agencies. He briefly discussed the specific accounts and noted that the audit report is due to the state by October 4, 2019.

MOTION: Mr. Howard moved that the Committee approve the minimum scope of the University's audit. The motion was seconded by Ms. Walker and carried unanimously.

Mr. Hunsucker reported on current, completed, and planned projects. *(See complete Internal Auditor's Report attached to these minutes).*

CURRENT/COMPLETED PROJECTS

Travel Reimbursement

Mr. Hunsucker reviewed 1,334 travel transactions, including 383 payment voucher reimbursements, 829 purchasing cards, and 122 payments from the Travel Coordinator. He noted four instances in which the Travel Expense Voucher was mathematically incorrect, primarily due to addition or transposition errors made when completing the form. These errors caused overpayments to travelers totaling \$180.36, which were reimbursed to the University. No other significant issues of noncompliance were noted. Mr. Hunsucker noted that the results of this audit were improved from prior audits. He presented these findings to the President's Senior Leadership team, along with his opinion that the University could save money by encouraging employees to utilize fleet vehicles or vehicle rental services such as Enterprise.

NCAA Student Assistance Fund

Mr. Hunsucker continues to review the Office of Athletics' internal controls over expenditures and disbursements related to the NCAA Student Assistance Fund. The audit will review 100% of the disbursements made during the fiscal year ending June 30, 2019.

Approval of Purchasing Card Transactions

Mr. Hunsucker stated there have been 13,646 purchasing card transactions for 280 employees from July 1, 2018 to March 31, 2019. During this review, he noted several instances where the cardholder failed to create an expense report and, therefore, the supervisor did not receive notification and the transactions were not approved, and noted six percent of transactions were missing. He commented he would like to implement trainings for employees on using the cards. In response to Ms. Walker's inquiry as to how many employees possess these cards, Mr. Hunsucker stated 280 employees are on-file as possessing the cards, but 29 of the ones listed are no longer employed by the University and, thus, no longer have access to or permission to use the cards. He also stated that only 70-80 employees use their cards for travel, while the rest of the employees are only permitted to buy supplies with the cards. Mr. Hunsucker stated he will report his findings to the President's Senior Leadership team at a future date.

Planned Projects

Mr. Hunsucker briefly discussed future projects, such as reviewing the Morehead State University Police Department's Standard Operating Procedure Manual to determine the adequacy of internal controls for the University's evidence room and to determine whether the department complied with provisions of the Standard Operating Procedure Manual; auditing selected University departments to determine compliance with applicable laws, rules, regulations and University policies; and auditing President Morgan's purchasing card activity and reimbursements to Dr. Morgan for travel and other expenditures. The results of the review of President Morgan's Expenses will be reported to the Audit Committee at a later date.

Mr. Hunsucker noted a list of external and internal assistance he has provided, included in the Board's meeting materials.

There being no further business to conduct, Mr. Price moved that the meeting adjourn. Ms. Walker seconded the motion and the motion carried unanimously.

Respectfully submitted,

Jacqueline N. Graves
Jacqueline N. Graves, Secretary
Board of Regents

ACCEPT 2018-19 AUDIT REPORT

October 18, 2019

Recommendation:

That the Audit Committee accept the audit report for the fiscal year ended June 30, 2019 as presented by Dean Dorton Allen Ford, PLLC.

Background:

KRS 164A.570 requires an annual audit to be conducted by all universities in the state system. The audit is to be conducted by an independent public accounting firm. On June 6, 2019, the Board approved the recommendation of the Audit Committee to appoint the accounting firm of Dean Dorton Allen Ford, PLLC to conduct the 2018-19 fiscal year audit. The Board also approved at that time, the Audit Committee's recommendation for the minimum scope of the audit work to be performed.

Dean Dorton Allen Ford, PLLC has completed the audit for the June 30, 2019 fiscal year. The report was issued with an unmodified opinion on the financial statements. An electronic copy of the audit report has been provided to each member of the Board of Regents.

**Report to the Audit Committee
October 18, 2019
Joe Hunsucker, Director of Internal Audits**

CURRENT/COMPLETED PROJECTS:

NCAA Student Assistance Fund

Objectives:

The objectives of the review were (1) to determine the adequacy of the Morehead State University Office of Athletics' internal controls over expenditures and disbursements related to the NCAA Student Assistance Fund, and (2) to determine if the University was in compliance with applicable NCAA and OVC policies related to the administration of the NCAA Student Assistance Fund.

Scope:

The scope included 1,055 transactions totaling \$84,087.19 for 312 student-athletes during the period July 1, 2018 through June 30, 2019 from the NCAA Student Assistance Fund. 100% of the disbursements made to, or on behalf of, student-athletes during the period were reviewed. Student-athletes from the following teams received funding from the NCAA Student Assistance Fund during the period:

<u>MEN'S SPORTS:</u>	<u>Recipients</u>	<u>Disbursements</u>	<u>Amount</u>
Baseball	42	150	\$ 7,761.97
Basketball	18	64	29,784.38
CC/Track	17	63	2,645.01
Football	103	287	16,238.98
Golf	<u>10</u>	<u>38</u>	<u>1,641.88</u>
Total	190	602	\$58,071.92
<u>WOMEN'S SPORTS:</u>			
Basketball	16	58	\$ 7,151.92
Beach Volleyball	4	15	680.35
CC/Track	23	85	4,415.03
Golf	6	24	1,040.99
Soccer	29	100	4,478.17
Softball	20	76	3,343.22
Volleyball	<u>15</u>	<u>58</u>	<u>3,319.58</u>
Total	113	416	\$24,429.26
<u>MIXED SPORTS:</u>			
Rifle	<u>9</u>	<u>37</u>	<u>\$ 1,586.01</u>
TOTAL – ALL SPORTS	312	1,055	\$84,087.19

TRANSACTIONS**BY CATEGORY**

	<u>Men</u>	<u>Women</u>	<u>Mixed</u>	<u>Total</u>
Category 1 - Educational	15	2	1	18
Category 2 – Health & Safety	3	4	0	7
Category 3 – Personal/Family	<u>584</u>	<u>410</u>	<u>36</u>	<u>1,030</u>
Total	602	416	37	1,055

AMOUNT**BY CATEGORY**

	<u>Men</u>	<u>Women</u>	<u>Mixed</u>	<u>Total</u>
Category 1 - Educational	\$28,752.00	\$ 3,209.86	\$ 25.00	\$31,986.86
Category 2 – Health & Safety	2,656.00	3,100.00	0	5,756.00
Category 3 – Personal/Family	<u>26,663.92</u>	<u>18,119.40</u>	<u>1,561.01</u>	<u>46,344.33</u>
Total	\$58,071.92	\$24,429.26	\$1,586.01	\$84,087.19

RECIPIENTS BY**FINANCIAL AID TYPE**

	<u>Men</u>	<u>Women</u>	<u>Mixed</u>	<u>Total</u>
100 – On Full GIA	17	26	0	43
200 – On Partial GIA	49	75	6	130
300 – On No GIA	121	12	3	136
400 – Exhausted Eligibility	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total	190	113	9	312

RECIPIENTS**RECEIVING PELL**

	<u>Men</u>	<u>Women</u>	<u>Mixed</u>	<u>Total</u>
Receiving PELL	57	22	1	80
NOT Receiving PELL	<u>133</u>	<u>91</u>	<u>8</u>	<u>232</u>
Total	190	113	9	312

The University received \$94,769 from the Ohio Valley Conference which was deposited into the NCAA Student Assistance Fund on July 11, 2018. The deposit was verified through review of University cash receipts system.

The balance of unspent funds on hand as of June 30, 2019 for the Student Assistance Fund was \$91,012.77. This amount was verified to the end-of-year balance in the General Ledger.

Opinion:

Based on the results of my review of applicable documentation and substantive tests performed, it is my opinion that the Morehead State University's Office of Athletics' internal controls over expenditures and disbursements related to the NCAA Student Assistance Fund are adequate and that the University is in compliance with applicable NCAA policies related to the administration of the NCAA Student Assistance Fund for the fiscal year ended June 30, 2019.

The results of the audit were reported to President Morgan, Commissioner DeBauche of the Ohio Valley Conference, VP for Student Affairs Mast and Interim Director of Athletics Gordon.

President Morgan's Expenses

Objectives:

The objectives of the review were to determine if Dr. Morgan's purchasing card transactions and disbursements from University funds to, or on behalf of, Dr. Morgan had a legitimate business purpose, were adequately supported and complied with applicable University travel, procurement and purchasing card policies.

Scope:

The scope included a review of Dr. Morgan's purchasing card transactions and disbursements made to, or on behalf of, Dr. Morgan for the period July 1, 2018 through June 30, 2019. The population consisted of 62 purchasing card transactions and 33 disbursements totaling \$20,218.58 with 100% of the transactions being reviewed.

Results:

The following categories of expenditures were reviewed during the period:

Vehicle Allowance (per employment contract)	\$ 14,400.00
Fuel for Business Travel	2,004.97
Lodging during Home Repairs	1,361.19
Airfare (via Travel Coordinator)	1,300.31
Lodging for Business Travel	853.82
Parking/Taxi During Official Travel	154.78
Meals During Official Travel	143.51
TOTAL	\$ 20,218.58

No exceptions were noted during the review. All disbursements and purchasing card transactions were adequately supported and in compliance with applicable University policies.

Opinion:

Based on the results of my review of applicable documentation and substantive tests performed, it is my opinion that Dr. Morgan's purchasing card transactions and disbursements to, or on behalf of, Dr. Morgan had a legitimate business purpose, were adequately supported and complied with applicable University travel, procurement and purchasing card policies.

A report was issued to the members of the Board of Regents' Audit Committee.

Cash Counts

Cash counts were conducted at the close of business, Wednesday, June 26, 2019 for one Cashier and at the close of business on Friday, June 28 for the remaining Cashier to verify the cumulative \$6,000 Cashier Operating account in the University's Office of Accounting & Financial Services. Cash and cash equivalents on hand for the Cashiers totaled \$6,000.00. Overage/shortage amounts are maintained separately, no overage/shortages were reported for either day.

A cash count was conducted Monday, July 1, 2019 for the University Store's \$2,500.00 permanent change fund. Cash on hand for the permanent change cash fund totaled \$2,500.00 with no cumulative year-to-date overage/shortage noted.

A cash count was conducted Thursday, June 27, 2019 for the Kentucky Folk Art Center's \$200.00 store sales change fund. Cash on hand for the store sales change fund totaled \$200.00, with no cumulative year-to-date overage/shortage noted.

Jeremy Withrow, Assistant Director, Office of Accounting & Financial Services, assisted with the counts. Year-end reports were issued to applicable university personnel and our external audit firm, Dean Dorton Allen Ford.

PLANNED PROJECTS:

Departmental Audits

Audits will be performed at selected University departments to determine compliance with applicable laws, rules, regulations and University policies. The audits will focus primarily on the areas of purchasing card, travel cards and travel expenditures. Exit conferences will be held with applicable university personnel as needed. Reports will be issued to the appropriate supervisory personnel.

Purchasing Cards

Purchasing card policies related to the purchasing cardholder's monthly reconciliation and their supervisor's review/approval of monthly transactions were implemented during July and August. An audit will be conducted to ensure compliance with the new policies. A report will be issued to the President's Senior Leadership team.

EXTERNAL ASSISTANCE:

Assistance to Dean Dorton Allen & Ford was provided for the following areas:

University Store inventory and internal control narrative
Facilities Management inventory and internal control narrative
Kentucky Folk Art Center inventory

General Purpose Financial Statements Audit

- Compensated Absences Account (Accrued Vacation & Vacation Overage testing)
- New Hire Testing
- Internal Control Testing
- Internal Control Questionnaires
- Cash Counts – Cashiers, Bookstore, KFAC
- Payroll Testing
- Termination Testing

A-133 Audit

- Federal Work Study Payroll Testing
- Internal Control Questionnaires
- Review of Return of Title IV Funds calculation

NCAA Agreed Upon Procedures

- Preparation of EADA Report

Department of Education

- Preparation of EADA Report

INTERNAL ASSISTANCE:

Assistance was provided to the following units:

Accounting & Financial Services

Athletic Department

Procurement Services

Financial Aid

Payroll

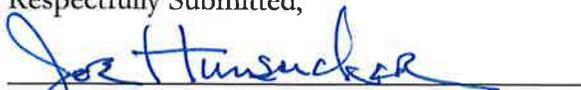
PROFESSIONAL DEVELOPMENT:

College Business Management Institute (CBMI), sponsored by Southern Association of College and University Business Officers (SACUBO), University of Kentucky, July 29 – August 2

OTHER:

Serving as a member of Staff Congress

Respectfully Submitted,



Joe Hunsucker, MAcc, CPA
Director of Internal Audits



Morehead State University is committed to providing equal educational opportunities to all persons regardless of race, color, national origin, age, religion, sex, sexual orientation, gender identity, gender expression, disabled veterans, recently separated veterans, other protected veterans, and armed forces service medal veterans, or disability in its educational programs, services, activities, employment policies, and admission of students to any program of study. In this regard the University conforms to all the laws, statutes, and regulations concerning equal employment opportunities and affirmative action. This includes: Title VI and Title VII of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Executive Orders 11246 and 11375, Equal Pay Act of 1963, Vietnam Era Veterans Readjustment Assistance Act of 1974, Age Discrimination in Employment Act of 1967, Sections 503 and 504 of the Rehabilitation Act of 1973, Americans with Disabilities Act of 1990, and Kentucky Revised Statutes 207.130 to 207.240; Chapter 344 and other applicable statutes. Vocational educational programs at Morehead State University supported by federal funds include industrial education, vocational agriculture, business education, and the associate degree program in nursing. Any inquiries should be addressed to: Affirmative Action Officer, Morehead State University, 301 Howell-McDowell Administration Building, Morehead, KY 40351, 606-783-2097.