



Board of Governors Risk Management & Audit Committee Meeting

<https://us02web.zoom.us/j/83178946678>

Thursday, 10/10/2024
11:00 AM - 12:00 PM CT

- I. Roll Call *Presented By: Governor Chris Waters*
- II. Approval of Minutes *Presented By: Governor Chris Waters*
 - A. Approval of the June 20, 2024, Risk Management and Audit Committee Meeting minutes
 - II.A. *Open Minutes of the June 20, 2024 Risk Management and Audit Committee Meeting - Page 2*
- III. NCAA Compliance Review *Presented By: Casey Hunt, Senior Associate Director of Athletics*
- IV. Issued Communication from Auditor *Presented By: Natalie McNish, Director of Internal Audit and Risk Management*
 - A. Copy This Inventory
 - IV.A. *Copy This Inventory Letter - Page 4*
 - B. Central Stores Inventory
 - IV.B. *Central Stores Inventory Letter - Page 5*
 - C. Cash Count of Bursar's Office
 - IV.C. *Cash Count Letter - Bursar's Office - Page 7*
 - D. Garnett Library Cash Count
 - IV.D. *Garnett Library Cash Count Letter - Page 8*
 - E. Inventory of Magers Pharmacy
 - IV.E. *Inventory of Magers Pharmacy - Page 9*
 - F. Student Refund
 - IV.F. *Student Refund - Page 10*
- V. Resolution Authorizing Closed Meeting, Pursuant to the Revised Statutes of the State of Missouri 610.021
 - V. *Closed Meeting Resolution - RMAC - Page 12*
- VI. Adjournment *Presented By: Governor Chris Waters*

II.A.

**MINUTES OF THE
BOARD OF GOVERNORS RISK MANAGEMENT AND AUDIT COMMITTEE
MISSOURI STATE UNIVERSITY
THURSDAY, JUNE 20, 2024**

The Risk Management and Audit Committee of the Board of Governors for Missouri State University held a meeting in the West Plains Civic Center, Magnolia Room. The meeting convened at 4:00 p.m. with the Chair of the Committee, Governor Chris Waters presiding.

Roll Call

Present – Chris Waters, Committee Chair
Anson Elliot, Committee Member
Ann Kampeter, Committee Member
Lynn Parman, Committee Member

Also present – Clif Smart, President
Brad Bodenhausen, Vice President for Community and Global Partnerships
Jeff Coiner, Chief Information Officer
Rachael Dockery, General Counsel and Vice President for Legal Affairs
and Compliance
Tim Francka, Governor
Travis Freeman, Governor
Missy Gourley, Governor
John Jasinski, Provost
Dennis Lancaster, Chancellor of the West Plains Campus
Natalie McNish, Director of Internal Audit and Risk Management
Matt Morris, Vice President for Administration and Finance
Zora Mulligan, Executive Vice President
Jeff Schrag, Governor
Suzanne Shaw, Vice President for Marketing and Communications
Dee Siscoe, Vice President for Student Affairs
Rowena Stone, Secretary to the Board of Governors

Approval of Minutes

Governor Waters called for a motion to approve the open and closed minutes of the April 22, 2024, Risk Management and Audit Committee meetings. Governor Anson Elliott provided a motion, receiving a second from Governor Lynn Parman.

Motion passed 4-0.

Introduction of Tongbin “Toni” Zan, Internal Auditor, and Cailyn Cordell, Audit Intern

Natalie McNish, Director of Internal Audit and Risk Management, introduced new employees Cailyn Cordell, Audit Intern, and Toni Zan, Internal Auditor. Ms. Cordell and Ms. Zan shared information on their education and professional experience.

Issued Communications from Auditor

Ms. McNish reviewed the communication to the Drago College Store on the West Plains Campus.

Review of Replacement Policies G1.02 Conflict of Interest and Financial Disclosure

Rachael Dockery, General Counsel and Vice President for Legal Affairs and Compliance, reviewed proposed revisions to G1.02 Conflict of Interest and Financial Disclosure. Governor Waters called for a motion to recommend the revisions for approval to the full Board at the meeting to be held the following day. Governor Parman provided a motion, receiving a second from Governor Kampeter.

Motion passed 4-0.

Closed Session

It was determined that the Board of Governors needed to meet in a closed session to consider items of business provided in the Revised Statutes of Missouri. Governor Waters asked if a resolution authorizing a closed meeting of the Board was prepared. Thereupon, the following resolution was presented for consideration:

BE IT RESOLVED by the Risk Management and Audit Committee of the Board of Governors for Missouri State University that a closed meeting, with closed records and closed vote, be held during a recess of the Risk Management and Audit Committee meeting of the Board of Governors to consider items pursuant to:

- R.S.Mo. 610.021 (17). “Confidential or privileged communications between a public governmental body and its auditor,....”

Governor Elliott provided a motion for approval to move into closed session resolution and Governor Parman provided a second.

A roll-call vote on the motion was as follows: those voting in favor – Governors Elliott, Kampeter, Parman, and Waters; those voting against – none.

The open meeting recessed at 4:12 p.m. to go into closed session.

The open meeting reconvened at 5:40 p.m.

Adjournment

With no additional information needing to be discussed, Governor Waters called for a motion to adjourn the meeting. Governor Parman provided a motion; Governor Kampeter provided a second.

Motion passed 4-0.

Meeting adjourned at 5:40 p.m.

Chris Waters
Committee Chair

Passed at the meeting of
October 10, 2024

Rowena Stone
Secretary to the Board



OFFICE *of*
INTERNAL AUDIT AND
RISK MANAGEMENT

To: Mark McCarty, Printing and Postal Services Manager
Brian Rude, Copy Center Supervisor

CC: Matthew D. Morris, Vice President for Administrative Services
Rachael M. Dockery, General Counsel
Zora Mulligan, Executive Vice-President
Dr. Richard B. Williams, President

From: Natalie B. McNish, Director

Date: July 17, 2024

Copy This Inventory

The Office of Internal Audit and Risk Management (herein "Office") receives and reviews inventory records from all departments with recorded inventory values each fiscal year. Based upon our analysis of risk at the time of the review, inventories are selected to be physically confirmed. Conclusions from our review of inventories held within Administrative Services – Support Services are as follows:

On June 18, 2024, the Office conducted limited procedures to confirm physical inventory counts for **Copy This**. According to reports provided by management, Copy This held 290,442 inventory items valued at \$8,586.66 on June 12, 2024. Auditors reviewed 12.19% of inventory for confirmation. During our confirmation procedures, **we identified an error rate of less than 1%, which is commendable.**

The Office did not conduct procedures to confirm physical inventory counts for Printing & Postal Services.

We thank you and your staff for your assistance in these procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "Natalie B. McNish". The signature is written in a cursive style and is positioned above a horizontal line.

Natalie B. McNish, CFE, CGAP
Director - Internal Audit and Risk Management
Carrington Hall, Room 314
(417) 836-5110
nataliemcnish@missouristate.edu

Auditors: Grant Jones, Internal Auditor
Cailyn Cordell, Internal Audit Intern



OFFICE *of*
INTERNAL AUDIT AND
RISK MANAGEMENT

To: Malynda L. Chorn, Material and Inventory Control Specialist

CC: David A. Hall, Director of Facilities Management
Cole Pruitt, Associate Director of Facilities Management
Cindy Schull, Assistant Vice President of Finance and Accounting
Michel Hackworth, Director of Budget and Accounting
Matthew D. Morris, Vice President for Administrative Services
Rachael M. Dockery, General Counsel
Zora Mulligan, Executive Vice-President
Dr. Richard B. Williams, President

From: Natalie B. McNish, Director

Date: July 17, 2024

Central Stores Inventory

The Office of Internal Audit and Risk Management (herein "Office") receive and review inventory records from all departments with recorded inventory values each fiscal year. Based upon our analysis of risk at the time of the review, inventories are selected to be physically confirmed. Conclusions from our review of inventories held within Administrative Services – Facilities Management are as follows:

On June 11, 2024, the Office conducted limited procedures to confirm physical inventory counts for the **Central Stores Warehouse**. According to reports provided by management, the Custodial Warehouse held 108,817 items valued at \$295,487.00 on June 10, 2024. Auditors selected a sample of 11,405 items valued at \$97,709.60 (33% of total inventory value) for confirmation. During our confirmation procedures, **we identified an error rate of less than 1%, which is commendable**. Based upon our review, we believe inventory value is reasonably accurate.

We also reviewed the age of the inventory on hand and financial management of the inventory. Our work found over half of the inventory has been on hand for over ten years. Additionally, the value of inventory on hand is not recorded in Banner, which understates the university's assets and prohibits reconciliation between systems. We recommend **Facilities Management work Financial Services to record the inventory in the Banner system**.

The Office did not conduct procedures to confirm physical inventory counts for the Custodial Warehouse, Environmental Health Warehouse, Academic Lock Shop, Signage Shop, or Paper Inventory for the year ended June 30, 2024.

We thank you and your staff for their assistance during these procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "Natalie B. McNish", written over a horizontal line.

Natalie B. McNish, CFE, CGAP
Director - Internal Audit and Risk Management
Carrington Hall, Room 314
(417) 836-5110
nataliemcnish@missouristate.edu

Auditors: Grant Jones, Internal Auditor
Cailyn Cordell, Internal Audit Intern



OFFICE *of*
INTERNAL AUDIT AND
RISK MANAGEMENT

To: Katy Hensley, Supervisor

CC: Lori Swindell, Accounting Manager/Bursar
Michel Hackworth, Director of Budget and Accounting
Cindy Schull, Assistant Vice President of Finance and Accounting
Matt Morris, Vice President of Administration and Finance
Rachael M. Dockery, General Counsel
Zora Mulligan, Executive Vice-President
Dr. Richard B. Williams, President

From: Natalie B. McNish, Director

Date: July 17, 2024

Cash Count of Bursar's Office

To whom it may concern:

The Office of Internal Audit and Risk Management (herein "Office") performed a surprise cash count of all monies on hand July 9, 2024. We determined all monies held are properly secured and accounted for. **We commend the Bursar's Office for their diligence in this matter.**

Sincerely,

A handwritten signature in black ink, appearing to read "Natalie B. McNish". The signature is written in a cursive style and is enclosed within a hand-drawn oval.

Natalie B. McNish, CFE, CGAP
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Auditors: Toni Zan, Internal Auditor
Cailyn Cordell, Internal Audit Intern

IV.D.

**Missouri
State**

**OFFICE of
INTERNAL AUDIT AND
RISK MANAGEMENT**

To: Rebekah McKinney, Director of Library Services

CC: Dr. Michael Orf, Vice-Chancellor of Academic Affairs
Dr. Dennis Lancaster, Chancellor
Rachael M. Dockery, General Counsel
Zora Mulligan, Executive Vice-President
Dr. Richard B. Williams, President

From: Natalie B. McNish, Director

Date: July 17, 2024

Garnett Library Cash Count

To whom it may concern:

The Office of Internal Audit and Risk Management (herein "Office") performed a surprise cash count of all monies on hand June 20, 2024. We determined all monies held are properly secured and accounted for. **We commend the Garnett Library staff for their diligence in this matter.**

Sincerely,



Natalie B. McNish, CFE, CGAP
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Auditors: Grant Jones, Internal Auditor
Cailyn Cordell, Internal Audit Intern

IV.E.

**Missouri
State**

**OFFICE of
INTERNAL AUDIT AND
RISK MANAGEMENT**

To: Regina L. Sporleder, Coordinator of Pharmacy Business Operations
Sara Nimmo, Director of Health and Wellness Services

CC: Dee Siscoe, Vice-President for Student Services
Rachael M. Dockery, General Counsel & Vice-President of Legal Affairs and Compliance
Zora Mulligan, Executive Vice-President
Dr. Richard B. Williams, President

From: Natalie B. McNish, Director

Date: August 19, 2024

Inventory of Magers Pharmacy

The Office of Internal Audit and Risk Management (herein "Office") receive and review inventory records from all departments with recorded inventory values each fiscal year. Based upon our analysis of risk at the time of the review, inventories are selected to be physically confirmed.

On June 27, 2024, the Office conducted limited procedures to confirm physical inventory counts for the **Magers Health & Wellness Center Pharmacy**. According to reports provided by management, the pharmacy stock inventory was valued at \$127,511 as of June 27, 2024. Auditors selected a sample of 104 different items valued at \$57,827 (45% of total inventory value) for confirmation. During these confirmation procedures, **we identified an error rate of 0.14%, which is commendable**. Based upon our review, we believe inventory value is reasonably accurate.

We also followed up on the status of prior audit recommendations to provide "blind" count sheets, develop procedures to identify inventory that has been counted and items which have not been counted, segregate the duties of counting and adjusting inventory, and ensure inventory held as "Scripts Not Picked Up" is counted and properly managed prior to freezing inventory for physical count. We found all recommendations were implemented or in progress, noting the "Scripts Not Picked Up" were counted, but not prior to the inventory freeze which created some additional adjustments.

We thank you and your staff for your assistance with these procedures.

Sincerely,



Natalie B. McNish, CFE, CGAP
Director - Internal Audit and Risk Management
Carrington Hall, Room 314
(417) 836-5110



**OFFICE of
INTERNAL AUDIT AND
RISK MANAGEMENT**

To: Lori Swindell, Accounting Manager/Bursar

CC: Cindy Schull, Assistant Vice President of Finance and Accounting
Matthew Morris, Vice-President for Administration and Finance
Rachael M. Dockery, General Counsel
Zora Mulligan, Executive Vice-President
Richard B. Williams, President

From: Natalie B. McNish, Director of Internal Audit & Risk Management

September 25, 2024

RE: Student Refund

To whom it may concern:

On August 2, 2024, Financial Services identified a potentially fraudulent act. On July 25, 2024, an e-check payment for a student account was received totaling \$4,360 and then on the same date the student requested a refund. Financial Services approved full refund of the \$4,360 payment in exception to their undocumented policy to not refund until after the first two weeks of classes because the student claimed they were not attending the fall semester. The refund was processed on July 29, and on July 30, the e-check payment was returned, leaving the university with a financial loss of \$4,360. This was reported to Internal Audit in compliance with governing policy 1.33 "Fraud Policy," by Matt Morris, Vice-President for Administration and Finance on August 5, 2024.

Internal Audit first performed work to determine the full extent of loss to the university. We reviewed the student account in question and found other similar payments made and returned, but no additional refunds issued. We also worked with Robert Martin, Director of Cybersecurity and Enterprise Systems, to look for similar traits in the data of other accounts. Through a review of logins and other activity, we determined no similar banking information or user traffic was used for any other account in our system. We also reviewed the correspondence in the email account for typical factors of fraud, but none were evident. Based upon this review, we believe the total financial loss is \$4,360 and we are inconclusive on this being a fraudulent act. This is largely because of the student's continued email traffic acknowledging the issue and asking for assistance to remedy.

We then reviewed the controls surrounding refunds to better understand the process. Through this process, we learned there is no formal policy regarding refunds and there is no specific non-formal guidance related to e-checks. Informally, guidance exists regarding credit card refunds, student athlete stipends, refund of tuition and fees during the first two weeks of classes of any semester, etc. However, no guidance has been developed to allow for e-checks to fully process and potentially return before refunds are issued. In addition, failure to formally document the policy can lead to inconsistent refund

practices, financial loss, reputational impact, and legal risks if students feel they were unfairly denied a refund. Mostly, the purpose of a formally documented refund policy is for transparency and operational consistency.

To protect against future losses, we recommend:

Financial Services develop a formal refund policy addressing when and how each type of refund should be requested, reviewed, and issued. Ensure the policy includes an allowance for e-check processing to reduce the risk of financial loss on the university.

Also, continue to work with the student to recover the \$4,360 loss.

Sincerely,

A handwritten signature in black ink, appearing to read 'Natalie B. McNish', written over a horizontal line.

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VI.

RECOMMENDED ACTION - Resolution authorizing closed meeting

BE IT RESOLVED by the Risk Management and Audit Committee of the Board of Governors for Missouri State University that a closed meeting, with closed records and closed vote, be held during a recess of the Risk Management and Audit Committee meeting of the Board of Governors to consider items pursuant to the [revised statutes of the State of Missouri 610.021](#) section(s):

- A. R.S.Mo. 610.021(1). “Legal actions, causes of action, or litigation involving a public governmental body...”
- B. R.S.Mo. 610.021(2). “Leasing, purchase or sale of real estate by a public governmental body...”
- C. R.S.Mo. 610.021(3). “Hiring, firing, disciplining or promoting of particular employees by a public governmental body...”
- D. R.S.Mo. 610.021(6). “Scholastic probation, expulsion, or graduation of identifiable individuals...”
- E. R.S.Mo. 610.021(9). “Preparation, including any discussions or work product, on behalf of a public governmental body or its representatives for negotiations with employee groups;”
- F. R.S. Mo. 610.021(11) and (12). “Specifications for competitive bidding...;” and “Sealed bids and related documents...;”
- G. R.S.Mo. 610.021(13). “Individually identifiable personnel records, performance ratings or records pertaining to employees or applicants for employment,...”
- H. R.S.Mo. 610.021(14). “Records which are protected from disclosure by law;” and
- I. R.S.Mo. 610.021(18). “Confidential or privileged communications between a public governmental body and its auditor,...”