

## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 13, 2017

Mr. Stanley Carpenter, Chancellor  
Board of Trustees  
Nebraska State College System  
1327 H Street, Suite 200  
Lincoln, Nebraska 68508-3751

Dear Mr. Carpenter:

This letter is provided pursuant to AICPA Auditing Standards AU-C Section 265, which permits the early communication of audit findings due to their significance and the need for corrective action. The work addressed herein was performed as part of the fiscal year ended June 30, 2017, Nebraska State College System (NSCS) audit. This communication is based on our audit procedures and related activity through August 9, 2017. Because we have not completed our audit of the fiscal year 2017 NSCS financial statements, additional matters may be identified and communicated in our final reports.

In planning and performing our audit of the NSCS's financial statements, the Auditor of Public Accounts (APA) considered the NSCS's internal control over financial reporting (internal control) as a basis for designing the audit procedures. The audit procedures selected were utilized for the purpose of expressing our opinions on the financial statements of the NSCS, but not for the purpose of expressing an opinion on the effectiveness of the NSCS's internal control. Accordingly, we do not express an opinion on the effectiveness of the NSCS's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

We noted a certain internal control or compliance matter related to the activities of the NSCS, or other operational matter, which is presented below for your consideration. The following comment and recommendation, which have been discussed with the appropriate members of the NSCS and its management, are intended to improve internal control or result in other operating efficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Comment Number 1 (Wayne State College Athletics Department's Control Environment) to be a significant deficiency.

Draft copies of this letter were furnished to the NSCS's administrators to provide them with an opportunity to review and to respond to the comment and recommendation contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation relating to the control environment of the Athletic Department at Wayne State College.

## Wayne State College Athletics Department's Control Environment

The control environment within the Wayne State College (WSC) Athletics Department (Department) was inadequate. This inadequacy was due primarily to the fact that, despite a significant amount of high-risk cash transactions collected by the Department, virtually no procedures were in place to prevent someone from perpetuating or concealing fraud or irregularities. In particular, the WSC Assistant Athletic Director of Business Management (AADB) was entirely in control of all cash transactions that flowed through the Department, with little or no review by any other individuals.

During the past two fiscal years, the Department has received approximately \$200,000 annually, as illustrated by revenue type in the table below:

Revenue Type	FY 2016	FY 2017
Camp Revenue	\$164,534	\$111,024
Gate Admission Revenue	\$41,666	\$38,481
Other Misc Entry Fees	\$5,900	\$6,820
Season Ticket Revenue	\$5,491	\$5,379
<b>Totals</b>	<b>\$217,591</b>	<b>\$161,704</b>

With a significant portion of these receipts being purely cash transactions, there was a greatly increased risk for loss or misuse of such funds. Despite that increased risk, the Department failed to implement sufficient control procedures, instead allowing one individual to have complete autonomy in carrying out these cash transactions.

The general procedures for each type of revenue collected by the Department are outlined below:

- **Camp Revenue Procedures:** Each coach determined the types, dates, and prices for the annual athletic camps that would be offered, which was approved by the Athletic Director. A registration form containing this information was developed. However, a majority of the registration forms reviewed by the APA directed participants to remit the registration payments directly to the AADB. The following is an example of such wording on a softball registration form.

<p>Please send registration form, WSC Camp Release Form and check to:</p> <p>Wayne State College Softball Camps Ryan Hix 1111 Main Street Wayne, NE 68787</p> <p>shmanson1@wsc.edu or Register Online: <a href="http://www.wscsoftballcamps.com">http://www.wscsoftballcamps.com</a></p>
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The AADB was also the only individual responsible for maintaining the listing of participants. No sign-in sheets were available for any of the camps tested. Consequently, inadequate documentation was available to ensure that all participants had remitted payment and that the payments were properly deposited. There were essentially no procedures in place to prevent the AADB from collecting cash payments and failing to deposit the funds with WSC.

- **Gate Admission Revenue Procedures:** WSC utilized a ticketing software vendor called UniversityTickets to track its ticket sales. Tickets purchased at the event were recorded in, and printed from, the UniversityTickets software by event staff. With the exception of one of the four gates used during football events, which had only a cash drawer, each of the other three gates had both a terminal for accessing the ticketing software and a cash drawer. A beginning cash drawer count was completed by only the AADBMM prior to the event. There was no secondary review and count of the beginning cash. A cash count was completed by the ticket seller at the conclusion of an event. The cash was then given back to the AADBMM, who ran reports from the ticketing software after the event and compared tickets sold to monies collected to ensure WSC received all funds for the event. Additionally, the AADBMM prepared the deposit slip and remitted the money to the Business Office.

The flaws in this system are numerous. To start, the AADBMM was the only person who counted the beginning cash, which increased the risk that the counted amount could be understated. The next concern is that the ending cash was remitted to the AADBMM, who was the only individual responsible for reconciling the cash to the UniversityTickets sales report. The AADBMM also had complete access to the UniversityTickets system at all times; this included the ability to issue refunds, which would reduce the amount of cash that needed to be deposited. No one else regularly utilized or reviewed the UniversityTickets system.

- **Season Ticket Revenue Procedures:** Season tickets to either specific or all WSC sports were purchased online through the UniversityTickets system or by completing a season ticket form and remitting it, along with payment, to the AADBMM. If the paper form was used, the AADBMM entered the sale into the UniversityTickets system. The AADBMM also maintained the spreadsheet of season tickets sold each year.
- **Other Entry Fee Revenue Procedures:** Other entry fees were collected for miscellaneous events, such as high school track meets. The procedures for these events were essentially the same as those described above for camp revenue.
- **Program Sales Procedures:** Programs were sold for home football, volleyball, and basketball games. These sales were recorded manually on a program sales report. During review of these program sales reports, we noted that the beginning and ending numbers of program inventories were not verified by two individuals. We also noted that the program sales reports for the volleyball and basketball games were not signed by two individuals. Finally, we noted that numerous changes to the reports were not initialed. All of these deficiencies increase the risk that the actual number of programs sold or cash received was not correctly recorded. Additionally, \$1,728 in revenue from program sales for fiscal year 2017 was deposited with the WSC Foundation and not with the NSCS.

Furthermore, the AADBMM was the only individual involved in the actual depositing process, including preparing the deposit slip and delivering the money to the Business Office. Upon receiving the deposit and recording it in the SAP accounting system, the Business Office did not perform a review of supporting documentation to ensure that the deposit was adequately documented and correct, which further increased the risk for fraud or errors.

As a result of this inadequate control environment, numerous errors were noted during the APA’s review of the various types of Department revenues. The errors, which are described in more detail below, not only give rise to serious concerns about the possibility of theft but also produced evidence – including an actual admission – of altered records, which is a criminal offense.

The table below summarizes the missing deposits, funds considered to be at risk, and unsupported deposits for the fiscal year ended June 30, 2017:

Description	Missing Deposits	Funds at Risk	Unsupported Deposits
Camp Revenue	\$2,467	\$4,681	\$288
Gate Admissions	\$466		\$471
Refunds Issued		\$1,917	
Undocumented Comp. Tickets		\$1,348	
Cash Count Sheet Changes		\$151	
Season Ticket Revenue	\$200		\$240
Entry Fees			\$6,820
<b>Totals</b>	<b>\$3,133</b>	<b>\$8,097</b>	<b>\$7,819</b>

#### A. Camp Revenue Errors

Several concerns were noted during detailed testing of camp revenues. Those concerns included the following: 1) missing camp revenue; 2) missing liability waivers; 3) checks not deposited; and 4) unsupported deposits. Each of these concerns is discussed in greater detail below.

##### 1) Missing Camp Revenue

Numerous instances were noted of participants appearing to have attended a camp based on the available documentation, such as a liability waiver/registration form being on file; however, the related participation fee for that individual was never deposited. The table below summarized each of these instances:

Sport	Camp	No.	Amount	APA Notes
Volleyball	Elite Camp	3	\$480	Three liability waivers were on file for camp participants, but no deposit was made for any of them. These participants appear to have registered on the day of the camp.
Volleyball	Youth Camp	5	\$475	Five liability waivers were on file for camp participants, but no deposit was made for any of them. These participants appear to have registered on the day of the camp.
Softball	Team Camp	6	\$450	These payments were made online between 7/5/2017 and 7/8/2017. The Department’s online registration vendor, Camp Marketing Services, should have sent the check on 7/15/2017, yet nothing had been deposited as of 8/9/2017.
Volleyball	Team Camp	10	\$450	Per the camp spreadsheet, ten players were listed as attending for one school, but no corresponding deposit was found. No liability waivers were observed for this school.
Basketball	Junior Cat Camp	4	\$180	The camp spreadsheet noted that these participants’ registration fees were waived; however, there was no documentation to support why the fees were waived.

Sport	Camp	No.	Amount	APA Notes
Men's Basketball	Elite Camp	3	\$150	These payments were made online between 7/4/2017 and 7/11/2017. The Department's online registration vendor, Camp Marketing Services, should have sent the check on 7/15/2017, yet nothing had been deposited as of 8/9/2017.
Softball	Prospects Camp	2	\$100	Two liability waivers were on file for camp participants, but no deposit was made related to these campers. These participants appear to have registered on the day of the camp.
Volleyball	Youth Camp	1	\$95	The camp spreadsheet noted that this participant paid the fee with a gift certificate; however, no gift certificate was on file.
Softball	Pitching Camp	1	\$50	A liability waiver was on file for the camp participant, but no deposit was made for her. This participant appears to have registered on the day of the camp.
Volleyball	[Various]	n/a	\$22	Per the spreadsheets, the total due from Camp Marketing Services should have been \$4,970, but only \$4,958 was deposited, which results in \$12 missing. On this same deposit, per the spreadsheets, \$608 in cash was received, but only \$598 was deposited, which results in another \$10 missing.
Basketball	Junior Cat – Tickets	n/a	\$15	The documentation indicates that a participant elected to purchase game tickets for \$15; however, the funds for that purchase were not deposited.
		<b>35</b>	<b>\$2,467</b>	

## 2) *Missing Liability Waivers*

When registering for any of the camps, the participants signed liability waivers holding WSC harmless for potential injuries or mishaps. Because sign-in sheets were not used for any of the camps tested, the APA had to rely upon the liability waiver/registration forms on file as the only available documentation to verify which participants were actually in attendance. This method was not ideal, as such liability waiver forms could easily be misplaced or destroyed. As evidence of this, the APA noted numerous instances in which a camp fee was paid and deposited, but no liability waiver was on file. The table below summarizes these instances.

Sport	Camp	No.	Amount
Soccer	Fall ID Camp*	16	\$1,600
Basketball	Team Camp	2	\$450
Volleyball	Team Camp	6	\$270
Football	8 Man Camp	1	\$155
Football	Top Cat Camp	2	\$130
Basketball	Junior Cat Camp	2	\$90
Basketball	Advanced Skills Camp	1	\$90
Softball	Team Camp	1	\$75
Football	Young Cats Camp	1	\$25
	<b>Totals</b>	<b>32</b>	<b>\$2,885</b>

*\*All registrations for this camp were done online, so liability waivers may simply not have been printed; however, it was unusual that there were no manual registrations at all for the soccer camps.*

### 3) *Checks Not Deposited*

While reviewing the camp files on site, the APA came across three checks that had never been deposited and were still attached to their respective registration forms. In addition, after the APA's visit, the WSC Comptroller found five more undeposited checks in the AADBMs office.

The table below provides a description of each undeposited check found, some of which had been held for several months.

<b>Sport</b>	<b>Camp</b>	<b>No.</b>	<b>Amount</b>	<b>APA Notes</b>
Track	Youth Meet	3	\$36	Checks dated 2/15/2017 and 2/20/2017 were found in the AADBMs office during the APA's visit on 7/25/2017.
Volleyball	Youth Camp	1	\$140	A check dated 5/9/2017 was found in the AADBMs office by the WSC Comptroller on 8/1/2017.
Volleyball	Team Camp	1	\$360	A check dated 7/16/2017 was found in the AADBMs office by the WSC Comptroller on 8/1/2017.
Women's Basketball	Summer League	1	\$425	A check dated 6/14/2017 was found in the AADBMs office by the WSC Comptroller on 8/1/2017.
Volleyball	Elite Camp/Team Camp	1	\$3,180	A check dated 7/18/2017, from the Department's online registration vendor, Camp Marketing Services, was found in the AADBMs office by the WSC Comptroller.
Volleyball	Team Camp	1	\$540	A check dated 7/5/2017 was found in the AADBMs office by the WSC Comptroller.
		<b>8</b>	<b>\$4,681</b>	

These checks were subsequently deposited on August 8, 9 and 23, 2017.

### 4) *Unsupported Deposits*

A \$288 check was included in a deposit made for a football camp; however, the amount did not agree to the camp fee, and the name associated with the check did not match that of any participants registered to attend the camp. The APA was unable to identify the purpose of this apparent deposit.

## **B. Gate Admission Revenue Errors**

Numerous issues were noted during detailed testing of gate admissions. Among those concerns were the following: 1) missing gate admission revenue; 2) questionable ticket refunding practices; 3) undocumented complimentary tickets; 4) excessive changes made to the cash count sheets; and 5) unsupported deposits. Each of these concerns is discussed in more detail below.

### 1) *Missing Gate Admission Revenue*

Five separate instances were identified of gate admission sales appearing to have been received but never deposited. Particularly concerning is the first such incident, as it also involved admittedly altered documentation.

The table below outlines each instance of missing funds, which totaled nearly \$500:

Sport	Event Date	Event	Total Deposit	Ticket Sales	Variance
Football	11/5/2016	Minnesota State	\$2,565	\$2,765	(\$200)
Track	3/18/2017	HS Indoor Track Meet	\$1,019	\$1,119	(\$100)
Football	9/10/2016	Minot State	\$5,145	\$5,244	(\$99)
Basketball	12/17/2016	Augustana	\$716	\$768	(\$52)
Track	3/17/2017	HS Indoor Track Meet	\$1,395	\$1,410	(\$15)
			<b>\$10,840</b>	<b>\$11,306</b>	<b>(\$466)</b>

Missing \$200

Upon initial testing of the deposit for the November 5, 2016, WSC football game against Minnesota State University, the APA was provided with the following report showing ticket sales of \$2,683 for the event. This report was provided by the AADBM on July 11, 2017. The AADBM claimed that the report was run at the time of the event, and he simply scanned a copy of the paper report that was in the event file. However, when the APA visited his office on July 25, 2017, no such report was found in the event file.

**UniversityTickets Daily Sales Summary**

Date Range: 11/05/2016 12:00 AM — 11/05/2016 11:59 PM  
 Categories: Football  
 Events: Football vs Minnesota State  
 Sales Channel: POS  
 Department: All Departments  
 Employee: All Employees

**\$2,565 in cash and checks received**

1 Record(s)

Date	Credit Card Web	Cash	Check	Credit Card POS	Sub Total
Nov 5 2016 12:00AM	\$0.00	\$2,535.00	\$30.00	\$118.00	\$2,683.00
	\$0.00	\$2,535.00	\$30.00	\$118.00	\$2,683.00

The APA followed up with WSC on July 13, 2017, and requested a more detailed report of the sales for this event. On July 14, 2017, the following detailed report was provided:

**UniversityTickets Sales By Price**

Date Range: 11/05/2016 12:00 AM — 11/05/2016 11:59 PM  
 Categories: Football  
 Events: Football vs Minnesota State  
 Package: Single Ticket  
 Sales Channel: POS

**These totals differ by \$200 despite the amounts in each column being the same.**

Ticket Price	Qty Sold	Base Price	Discounts	Surcharges	Delivery Fees	Customer Service Fees	Gross Payment	Utility Fees	Net Sales
\$0.00	360	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$5.00	48	\$240.00	\$0.00	\$0.00	\$0.00	\$0.00	\$240.00	(\$24.00)	\$216.00
\$8.00	31	\$248.00	\$0.00	\$0.00	\$0.00	\$0.00	\$248.00	(\$15.50)	\$232.50
\$10.00	212	\$2,120.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,120.00	(\$106.00)	\$2,014.00
\$15.00	5	\$75.00	\$0.00	\$0.00	\$0.00	\$0.00	\$75.00	(\$2.50)	\$72.50
	676	\$2,883.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,683.00	(\$148.00)	\$2,535.00



On this report, the total in the Gross Payment column of \$2,683 (the seventh column) agreed to the above report; however, the total in the Base Detail column (the third column) was \$200 higher, or \$2,883. This discrepancy caused the APA to question the validity of the report. Thus, the APA contacted the WSC Comptroller to request that a new version of the report be run directly from the UniversityTickets system. That report was provided on July 20, 2017, and the total sales were \$2,883, as shown below:

UniversityTickets Sales By Price								
Date Range:	11/05/2016 12:00 AM — 11/05/2016 11:59 PM							
Categories:	Football							
Events:	Football vs Minnesota State							
Package:	Single Ticket							
Sales Channel:	POS							
<div style="border: 1px solid red; padding: 5px; display: inline-block;">           These numbers were modified to show 20 fewer tickets sold for \$200 less in sales.         </div>								
Ticket Price	Qty Sold	Base Price	Discounts/Surcharges	Delivery Fees	Customer Conv. Fees	Gross Payment	UTIX Conv. Fees	Net Sales
\$0.00	360	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$5.00	48	\$240.00	\$0.00	\$0.00	\$0.00	\$240.00	(\$24.00)	\$216.00
\$8.00	31	\$248.00	\$0.00	\$0.00	\$0.00	\$248.00	(\$15.50)	\$232.50
\$10.00	232	\$2,320.00	\$0.00	\$0.00	\$0.00	\$2,320.00	(\$116.00)	\$2,204.00
\$15.00	5	\$75.00	\$0.00	\$0.00	\$0.00	\$75.00	(\$2.50)	\$72.50
	676	\$2,883.00	\$0.00	\$0.00	\$0.00	\$2,883.00	(\$158.00)	\$2,725.00

When questioned about this inconsistency during the APA’s surprise visit to WSC on July 25, 2017, the AADBAM adamantly denied altering reports or taking any money. The AADBAM went so far as to claim that he did not even know the sales reports could be exported to Microsoft Excel, where they could be altered. Even after the APA presented the AADBAM with formatting evidence indicating that the report he had provided was clearly a Microsoft Excel version, the AADBAM continued to deny altering the report. Upon subsequent review, moreover, the APA discovered numerous Excel versions of UniversityTickets reports on the AADBAM’s computer.

The following day, July 26, 2017, the APA received an email from the AADBAM in which he admitted to altering the second report he had provided. However, the AADBAM continued to deny altering the first report, as well as having any knowledge of the missing \$200. The AADBAM’s email message contained the following:

*I do not recall adjusting any reports back when they were originally ran [sic]. . . . I changed the Sales by Price report on 7/14/17, however, I know that I did not take any money from the college. I do not have an explanation as to why the Daily Sales Summary reports were different from 11/7/16 to 7/14/17. I knew that the Sales by Price report needed to match the Daily Sales Summary report that I had in my file (11/16/17), so I changed it to match. That is the only thing I did wrong.*

The AADBAM concluded his email message by admitting to having attempted to mislead the APA’s audit staff about altering the second report, saying the following:

*I apologize for the dishonesty to the auditors. I didn’t know what to say to them when they asked because I knew changing the Sales by Price report was wrong. . . . I just simply freaked out when they weren’t the same and tried to make it up the best I could. . . . I made a terrible choice in the way I handled the situation, and I acknowledge that.*

The complete email is included herein as **Attachment A**.

In the email, the AADBAM also stated that the first report “was originally ran [sic] on 11/7/16” and that it showed total sales of \$2,683 when run on that date. The APA attempted to verify the possibility that something happened in the ticketing system to cause the reports to change between November 7, 2016, when the first report was allegedly run, and July 14, 2017, when the second report was run. This was done by working with the UniversityTickets vendor and the WSC Athletic Director to obtain a detailed, itemized report of every transaction that occurred related to this event.

That detail revealed that \$2,883 in tickets was sold between 10:57 a.m. and 1:54 p.m. on November 5, 2016, with no other activity occurring after that date. Therefore, the AADBAM’s statement that the first report was not altered appears to be false. If he had indeed run the sales report on November 7, 2016, it would have included the amounts shown below, which agree exactly to the detailed sales activity for the event.

UniversityTickets Daily Sales Summary					
Date Range:	11/05/2016 12:00 AM — 11/05/2016 11:59 PM				
Categories:	Football				
Events:	Football vs Minnesota State				
Sales Channel:	POS				
Department:	All Departments				
Employee:	All Employees				
<div style="border: 1px solid red; padding: 5px; display: inline-block;">                     Actual cash and checks received were \$2,765, or \$200 more than the previously shown report provided by the AADBAM.                 </div>					
1 Record(s)					
Date	Credit Card-Web	Cash	Check	Credit Card-POS	Sub Total
Nov 5 2016 12:00AM	\$0.00	\$2,710.00	\$55.00	\$118.00	\$2,883.00
	\$0.00	\$2,710.00	\$55.00	\$118.00	\$2,883.00

Furthermore, the ending cash count sheet for this event was clearly modified several times and appears to have been similarly reduced by \$200.

Upon close inspection, it appears the top cash number was previously \$1,380 and was reduced by \$200 to \$1,180.

Upon close inspection, it appears the ending net sales number was previously \$1,085 and was reduced by \$200 to \$885.

[Student Worker]

DATE 11-5-2016

Report to be completed by the ticket seller prior to returning it to the Business Services Office.

CASH	\$ <del>1180.00</del> <sup>1180.00</sup>
COIN	\$ <input type="text"/>
OTHER	\$ <input type="text" value="20.00"/>
SUBTOTAL	\$ <input type="text"/>
LESS STARTING CASH	\$ <input type="text" value="325.00"/>
NET SALES	\$ <del>1085.00</del> (2) <sup>885.00</sup>

Missing \$100

The second instance of missing funds was related to a March 18, 2017, WSC High School Indoor Track Meet. The gate admissions for this event were not entered through the ticketing system. Instead, a manual ticket sales report was completed. This manual sales report, which is shown below, indicated that ticket sales for the event were \$1,119.

WSC HIGH SCHOOL - INDOOR SATURDAY, MARCH 18, 2017				
Gate 1	\$1,038 Adult Tickets + \$81 Youth Tickets = \$1,119			
<b>ADULT - \$6 - (YELLOW)</b>	<b>END #</b>	<b>START#</b>	<b># SOLD</b>	<b>SALES (\$)</b>
	<u>268</u>	- <u>095</u>	= <u>173</u>	x\$6 = <u>1,038</u>
<b>K-12 - \$3 - (BLUE)</b>	<b>END #</b>	<b>START #</b>	<b># SOLD</b>	<b>SALES (\$)</b>
	<u>073</u>	- <u>046</u>	= <u>27</u>	x\$3 = <u>81</u>

Despite the clearly unmodified ticket sales report showing total income of \$1,119, only \$1,019 was deposited for this event.


<p>This form is not mathematically correct; however, it appears to have previously shown total ending cash of \$1,469, less \$350 beginning cash, to arrive at net sales of \$1,119. It was then modified to reduce cash by \$100 and show net sales of \$1,019, which was the amount deposited.</p>	<table> <tr> <td>CASH</td> <td style="border: 1px solid black; text-align: right;">\$ <u>1,361</u></td> </tr> <tr> <td>COIN</td> <td style="border: 1px solid black; text-align: right;">\$ <u>2.00</u></td> </tr> <tr> <td>OTHER - CHECK</td> <td style="border: 1px solid black; text-align: right;">\$ <u>6.00</u></td> </tr> <tr> <td>SUBTOTAL</td> <td style="border: 1px solid black; text-align: right;">\$ <u>1,369.00</u></td> </tr> <tr> <td>LESS STARTING CASH</td> <td style="border: 1px solid black; text-align: right;">\$ <u>350.00</u></td> </tr> <tr> <td>NET SALES</td> <td style="border: 1px solid black; text-align: right;">\$ <u>1,019</u> (2)</td> </tr> </table>	CASH	\$ <u>1,361</u>	COIN	\$ <u>2.00</u>	OTHER - CHECK	\$ <u>6.00</u>	SUBTOTAL	\$ <u>1,369.00</u>	LESS STARTING CASH	\$ <u>350.00</u>	NET SALES	\$ <u>1,019</u> (2)
CASH	\$ <u>1,361</u>												
COIN	\$ <u>2.00</u>												
OTHER - CHECK	\$ <u>6.00</u>												
SUBTOTAL	\$ <u>1,369.00</u>												
LESS STARTING CASH	\$ <u>350.00</u>												
NET SALES	\$ <u>1,019</u> (2)												
TICKET SELLER	[Student Worker]												
DATE	<u>3-18-17</u>												

Interestingly, in this instance, the original ending cash count performed by the student worker also included notations on the back of the form to show the exact amounts of each type of currency (e.g., \$10 dollar bills, \$20 dollar bills, \$100 dollar bills, etc.). Those notations clearly support the original ending cash count of \$1,469. See image below.

1 - 16
5 - 105
10 - 0
20 - 1,240
100 - 100
Check - 6.00
Coins - 2.00
1,469

Missing \$99

The third instance of missing funds occurred during the September 10, 2016, football game against Minot State. According to the UniversityTickets report, the total cash and check ticket sales for the event was \$5,244. However, only \$5,145 in cash and checks was deposited for the event, leaving a \$99 variance. In this instance, the variance appears to have occurred while tickets were being sold early in the day for "Family Weekend." The early sales box was managed solely by the AADBM. The cash count sheet for this box is shown below:

<b>SALES REPORT</b>		CASH	\$1,899
Report to be completed by the ticket seller prior to returning it to the Business Services Office.		COIN	\$
		OTHER	\$ 19.00
		SUBTOTAL	\$ 1918
		LESS STARTING CASH	\$ 375.00
TICKET SELLER 		NET SALES	\$1,543 (2) + 99.00 Invoice
DATE			1623.00 total

There was also a handwritten note on the documentation provided, which stated that "\$99 of this is invoiced to student activities for extra tickets." Per discussion with several WSC staff members, no invoice or transfer of funds could be identified to verify that \$99 had ever been billed to, or collected from, student activities. Additionally, it appears unusual that \$99 of sales would actually have been entered into the ticketing system for such a reason, particularly given that no corroborating evidence could be located.

Missing \$52

The next instance of missing funds occurred during the December 17, 2016, basketball game against Augustana College. According to the UniversityTickets report, \$145 in tickets was sold the day prior to the game.

UniversityTickets Daily Sales Summary					
<b>Date Range:</b>	10/1/2016 12:00 AM — 3/31/17 11:59 PM				
<b>Categories:</b>	Basketball				
<b>Events:</b>	Men's & Women's Basketball vs Augustana				
<b>Sales Channel:</b>	POS + Internet				
<b>Department:</b>	N/A				
<b>Employee:</b>	N/A				
Date	Credit Card-Web	Cash	Check	Credit Card-POS	Sub Total
Dec 14 2016 12:00AM	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dec 15 2016 12:00AM	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dec 16 2016 12:00AM	\$0.00	\$145.00	\$0.00	\$0.00	\$145.00
Dec 17 2016 12:00AM	\$0.00	\$623.00	\$0.00	\$0.00	\$623.00

None of this money was found to have been deposited to gate admissions. Upon discussion with WSC staff members, it was determined that these sales likely related to discounted tickets offered to Junior Cat Camp participants, so the proceeds may have been deposited with the camp revenue. The APA was able to verify that \$93 of ticket sales was incorrectly deposited with the camp revenue; however, the remaining \$52 in ticket sales was not found to have been deposited at all.

#### Missing \$15

The final instance of missing funds was related to a March 17, 2017, WSC High School Indoor Track Meet. As with the aforementioned track event, the gate admissions were not entered through the ticketing system. Instead, a manual ticket sales report was completed. For one of the two gates, Gate 2, the original sales amount of \$822 on this manual sales report had clearly been altered to show a revised sales amount of \$795, resulting in a reduction of \$27. That gate sales report is shown below.

Meanwhile, the manual sales report and cash count for the other gate, Gate 1, included \$12 more in cash than the amount recorded. Combining this extra \$12 with the \$27 missing from the Gate 2 revenues results in an overall net shortage of \$15 for the event.

<b>WSC HIGH SCHOOL - INDOOR</b> <b>FRIDAY, MARCH 17, 2017</b>		<u>Original Sales:</u> \$756 Adult Tickets + \$66 Youth Tickets = \$822 <u>Revised Sales:</u> \$732 Adult Tickets + \$63 Youth Tickets = \$795 <b>Variance: \$27</b>		
<b>Gate 2</b>				
<b>ADULT - \$6 - (YELLOW)</b>	<u>END #</u>	<u>START#</u>	<u># SOLD</u>	<u>SALES (\$)</u>
	<u>1073</u>	- <u>501</u>	= <u>122</u> <del>122</del>	<u>\$732</u> <del>\$732</del>
			X \$6 =	
<b>K-12 - \$3 - (BLUE)</b>	<u>END #</u>	<u>START #</u>	<u># SOLD</u>	<u>SALES (\$)</u>
	<u>1008</u>	- <u>587</u>	= <u>21</u> <del>21</del>	<u>\$63</u> <del>\$63</del>
			X \$3 =	

These five separate instances of missing gate admissions revenue give rise to concerns of possible theft.

Neb. Rev. Stat. § 28-511(1) (Reissue 2016) states, “A person is guilty of theft if he or she takes, or exercises control over, movable property of another with the intent to deprive him or her thereof.”

Similarly, Neb. Rev. Stat. § 28-512 (Reissue 2016) states, in relevant part, the following:

*A person commits theft if he obtains property of another by deception. A person deceives if he intentionally:*

*(1) Creates or reinforces a false impression, including false impressions as to law, value, intention, or other state of mind; but deception as to a person's intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise[.]*

Furthermore, and particularly with regard to the first instance of missing gate receipts, there is also a concern with the documented and admitted alteration of public documents, which is a criminal offense per Neb. Rev. Stat. § 28-911 (Reissue 2016). Subsection (1) of that statute provides as follows:

*A person commits abuse of public records, if:*

*(a) He knowingly makes a false entry in or falsely alters any public record; or*

*(b) Knowing he lacks the authority to do so, he intentionally destroys, mutilates, conceals, removes, or impairs the availability of any public record; or*

*(c) Knowing he lacks the authority to retain the record, he refuses to deliver up a public record in his possession upon proper request of any person lawfully entitled to receive such record; or*

*(d) He makes, presents, or uses any record, document, or thing, knowing it to be false, and with the intention that it be taken as a genuine part of the public record.*

Subsection (2) of the same statute defines “public record” to include “all official books, papers, or records created, received, or used by or in any governmental office or agency.”

Per subsection (3) of that statute, “Abuse of public records is a Class II misdemeanor.”

Having been received and used by the Department, the ticketing sales report in question clearly falls within the definition of “public record” set out in § 28-911(2). Consequently, it appears that the AADBM’s admitted alteration of that document could, in itself, constitute a criminal offense.

Lastly, but of no less importance, it should be noted that Neb. Rev. Stat § 84-305.01 (Cum. Supp 2016) provides a criminal penalty for attempting to mislead a member of the APA’s staff during the course of an audit, as follows:

*Any person who willfully fails to comply with the provisions of section 84-305 or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.*

(Emphasis added.) As mentioned already, the AADBM concluded his July 26, 2017, email message to the APA by acknowledging his “dishonesty to the auditors.” This admission points to an apparent violation of § 84-305.01.

Due to the various criminal offenses that may have resulted from the actions detailed above, the APA will forward this information to the Nebraska State Patrol, the Nebraska Attorney General, and the Wayne County Attorney for further review.

## 2) ***Questionable Ticket Refunding Practices***

Thousands of dollars in event ticket refunds were issued throughout the athletic seasons reviewed. As summarized in the table below, the vast majority of those refunds were for football games.

Sport	FY 2016		FY 2017	
	No. of Refunds	Amount of Refunds	No. of Returns	Amount of Refunds
Football	454	\$1,646	n/a	\$1,649
Volleyball	402	\$218	n/a	\$154
Basketball	693	\$81	n/a	\$114
<b>Totals</b>	<b>1,549</b>	<b>\$1,945</b>	<b>n/a</b>	<b>\$1,917</b>

Per discussion with the WSC Athletic Director, the following are the only reasons for issuing ticket refunds:

- i) A refund could be issued if a customer purchased tickets ahead of time, decided not attend that game, and requested a refund.
- ii) A refund could be issued if the wrong number or type of tickets was entered into the ticketing system at the time of sale.

- iii) For football games, one of the ticket entry points to the stadium did not have an actual computer system/ticket printer (i.e., no power or internet connection) at that location; therefore, batches of tickets were pre-printed prior to the game to be sold at that particular entry point. Then, any unsold tickets would have been refunded back to the system.
- iv) Similar to scenario iii) above, even for the main ticket areas that do have computers/ticket printers, the ticket workers occasionally pre-printed smaller batches of tickets in order to move people through the entrance line quicker during peak fan arrival times. The unsold pre-printed tickets would then have been refunded back to the system.

Though appearing to be reasonable, the first two ticket-refund scenarios described above would most likely occur infrequently and entail small dollar amounts. The second two scenarios appear more problematic due to the potential for not only frequent high-dollar ticket returns but also less control of the point-of-sale process. Pre-printing batches of tickets and then manually distributing and refunding them essentially overrides the purpose of utilizing a point-of-sale system, as the chance for errors is greatly increased.

Most concerning about the refunding of event tickets is that the APA identified numerous instances of refunds being issued in a manner that was inconsistent with any of the scenarios described above. For example, at 1:38 p.m., during the October 8, 2016, football game against Augustana College, which was scheduled to begin at 1:00 p.m., the AADBM made a cash sale for \$100 worth of tickets. This sale was subsequently refunded in its entirety at 4:16 p.m. by the AADBM. Having been made more than a half-hour after the game had already started, this sale does not fit into the scenarios for pre-printing batches for the other gate or for use during peak times. Occurring almost three hours later, moreover, the refund does not appear to have been made as an immediate correction to an error. Such refunds give rise to a risk of true cash sales being refunded in the system, but the cash paid being misappropriated.

Lastly, the AADBM had originally informed the APA that tickets could be returned only by scanning the ticket stub. Per discussion with the UniversityTickets vendor, however, there is no requirement to scan a ticket stub when completing returns within the system. Consequently, given both the questionable practice of pre-printing batches of tickets and the numerous instances of unexplainable refunds being made, the APA questions all \$1,917 of the refunds issued in the ticketing system during the fiscal year ended June 30, 2017.

### **3) *Undocumented Complimentary Tickets***

Hundreds of free, complimentary (comp) tickets are given out throughout each athletic season. Comp tickets are given to potentials recruits, their families, players' families, employees, and others as deemed necessary by the Department. Therefore, given the potential loss of revenue, it is paramount that strong control be in place to prevent unauthorized comp tickets from being issued.



The Department's procedures require signatures on pre-printed lists for all comp tickets claimed. Nevertheless, the APA's comparison of only a sample of the comp tickets issued to the signatures obtained revealed significant variances. These variances indicate a clear risk that unauthorized tickets may have been issued. Furthermore, there is a risk that individuals who paid for general admission tickets could instead be issued comp tickets in the system, resulting in a reduced cash deposit and the possibility for theft.

As shown in the table below, the Department had documentation for fewer than 80% of the comp tickets issued. This means that one in every five comp tickets was unsupported and considered to be at risk for theft. Based upon a review of only six athletic events, the APA estimated there to be a potential for \$1,348 in lost funds due to these undocumented comp tickets.

Sport	Opponent	Event Date	Comp Sales	Comp Signatures		Undocumented Comps		Potential Loss*
Football	St. Cloud State	9/24/2016	138	109	79%	29	21%	\$290
Football	Minn State	11/5/2016	248	196	79%	52	21%	\$520
<b>Football Total</b>			<b>386</b>	<b>305</b>	<b>79%</b>	<b>81</b>	<b>21%</b>	<b>\$810</b>
Volleyball	Minot State	9/30/2016	75	67	89%	8	11%	\$64
Volleyball	U of Mary	10/1/2016	43	41	95%	2	5%	\$16
Volleyball	Chadron State	10/4/2016	54	33	61%	21	39%	\$168
<b>Volleyball Total</b>			<b>172</b>	<b>141</b>	<b>82%</b>	<b>31</b>	<b>18%</b>	<b>\$248</b>
Basketball	Upper Iowa	2/17/2017	122	93	76%	29	24%	\$290
<b>Basketball Total</b>			<b>122</b>	<b>93</b>	<b>76%</b>	<b>29</b>	<b>24%</b>	<b>\$290</b>
<b>Grand Total</b>			<b>680</b>	<b>539</b>	<b>79%</b>	<b>141</b>	<b>21%</b>	<b>\$1,348</b>

\*Potential Loss was calculated by multiplying the general admission rate (\$10 for Football and Basketball and \$8 for Volleyball) by the number of undocumented comps tickets.

#### 4) Excessive Cash Count Changes

An excessive number of changes were made to the cash count sheets, which are completed at each gate entrance for every home athletic event. Questionable manual changes were made for 20 out of the 70, or nearly 30%, of the home events that took place during both fiscal years 2016 and 2017. A significantly higher change rate was noted on the football cash count sheets. For 9 of 11, or well over 80%, of the home football games in the two seasons tested, manual changes were made on the cash count sheets.

Interestingly, nearly 80% of changes made to the cash count sheets resulted in a decrease in the amount of cash on hand at the end of the event. This is concerning because changes made due to actual counting errors would be expected to reflect a more equal proportion of both increases and decreases to the ending cash amounts. It may be important to note also that, in most of the instances in which the ending cash was changed, the cash count by type of currency (e.g., \$10, \$20, \$50 bills, etc.) agreed to the original ending cash count by the student workers, not the revised figures. None of the changes made to the cash sheets were initialed to indicate who made the revisions.

The table below summarizes changes noted on the cash count sheets for athletic events that took place during fiscal year 2017 only:

Sport	Event Date	Opponent	Box No.	Ending Cash - Original		Ending Cash - Revised	Variance
Football	9/10/2016	Minot State	Box 2	\$2,366	*	\$2,338	(\$28)
Football	9/24/2016	St. Cloud	Box 4	\$687	*	\$684	(\$3)
Volleyball	9/30/2016	Minot State	Box 1	\$781	*	\$780	(\$1)
Football	10/8/2016	Augustana	Box 2	\$3,186	*	\$3,127	(\$59)
Football	10/8/2016	Augustana	Box 3	\$682	*	\$692	\$10
Volleyball	10/8/2016	Concordia St Paul	Box 1	\$1,481	*	\$1,476	(\$5)
Football	10/22/2016	Winona State	Box 1	\$842		\$847	\$5
Football	10/22/2016	Winona State	Box 2	\$450	*	\$445	(\$5)
Football	10/22/2016	Winona State	Box 4	\$849		\$803	(\$46)
Football	11/5/2016	Minnesota State	Box 2	\$1,410		\$1,210	(\$200)**
WBB/MBB	12/30/2016	Sioux Falls	Box 1	\$1,107	*	\$1,097	(\$10)
WBB/MBB	12/31/2016	SW Minn State	Box 1	\$1,351	*	\$1,341	(\$10)
WBB/MBB	2/3/2017	Bemidji State	Box 1	\$1,079	*	\$1,080	\$1
Track	3/18/2017	HS Indoor Track Meet	Gate 1	\$1,469	*	\$1,369	(\$100)**
<b>FY 2017 Totals</b>				<b>\$17,740</b>		<b>\$17,289</b>	<b>(\$451)**</b>

\*For each of these cash count sheets, the original ending cash balances agreed to the count by currency type (\$10, \$20, \$50 bills, etc.) on the back of the cash count sheet.

\*\*The funds at risk due to excessive cash count sheet changes were reduced from the \$451 shown here to \$151, as the \$200 change and \$100 change shown in this table were also previously noted as missing funds. Thus, they were excluded from the funds at risk to avoid duplication.

### 5) *Unsupported Deposits*

For two gate admission receipts tested, totaling \$1,412, the documentation on file was inadequate to ensure that the correct amount was deposited.

The first receipt was for a September 19, 2015, football game against Northern State. Pre-game tickets appear to have been sold early in the day for “Family Weekend.” However, no documentation was on file to support the \$471 in ticket sales deposited. It appears that a cash count sheet was never completed, and no system reports were printed or maintained. This event occurred in fiscal year 2016, when a different ticketing system was in use. Because the Department no longer had access to that prior system, nothing could be obtained by the APA to verify the actual ticket sales.

The second unsupported deposit was for the October 18, 2016, volleyball game against Augustana College. According to a ticketing system report, \$941 in sales was recorded on that date; however, a cash count sheet was not available to support that no other funds were received.

### C. **Season Ticket Revenue Errors**

The APA noted two separate concerns during a review of season ticket sales. The first was \$200 of missing season ticket revenue, and the second pertained to a lack of documentation on file for \$240 in season ticket revenue. Details of these issues are provided below.

**1) *Missing Season Ticket Revenue***

The APA observed documentation indicating that an individual had requested, and paid \$200 for, one Cat Club all-sports season pass. However, when reviewing the season tickets that had actually been issued in the ticketing system, it was found that the individual actually received two season passes, for a total value of \$400. The APA was unable to identify any deposits that could account for the \$200 variance between season tickets issued and the amount deposited.

**2) *Unsupported Deposits***

No documentation was on file to support two Cat Club basketball season passes issued, for \$120 each. The APA identified the season passes only through a review of UniversityTickets sales reports. Nothing could be located in the Department's files to support the issuance of the \$240 in season tickets. The funds do appear to have been properly deposited, however.

**D. *Entry Fee Errors***

The APA did attempt to test the \$6,820 of athletic event entry fee revenue recorded during the fiscal year ended June 30, 2017. Unfortunately, the Department's supporting documentation was entirely inadequate, and testing was not feasible. Based on the coding in the accounting system, the fees appear to have been collected for various track and cross country events hosted by WSC; however, separate documentation is completely lacking to support this inference. The APA would have expected to find registration forms, liability waivers, or other participant correspondence, but nothing was on file. As such, the APA considered the full amount of these fees to be at risk.

We recommend the NSCS implement procedures immediately to establish a strong control environment within the WSC Athletics Department. These procedures should include, at a minimum, the following: 1) ensuring that an adequate segregation of duties exists over athletic event receipts by including more than one individual in the sales and receipt processes; 2) performing a proper review of the deposits; 3) ensuring cash counts are performed by two individuals, and all changes thereto are initialed by the individual who made them; 4) and maintaining sufficient supporting documentation for all receipts. Furthermore, we recommend the NSCS deposit all program sales proceeds in the NSCS funds.

*NSCS's Response: The NSCS and Wayne State College (WSC) agree with the comment. Existing procedures will be reviewed and updated to establish a strong control environment within the WSC Athletics Department and will include the items noted by the APA. Program sales revenue will be deposited with the College rather than the Wayne State Foundation, effective immediately. The NSCS appreciates the work of the APA on this matter.*

\* \* \* \* \*

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the NSCS gained during our work to make comments and suggestions that we hope will be useful to the NSCS.

This interim communication is intended solely for the information and use of management, the Board of Trustees, others within the NSCS, and the appropriate Federal and regulatory awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Sincerely,

A handwritten signature in blue ink that reads "Kris Kucera". The signature is written in a cursive style.

Kris Kucera, CPA, CFE  
Audit Manager

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**From:** Ryan Hix  
**Sent:** Wednesday, July 26, 2017 10:02 AM  
**To:** Kaye Young <kayoung1@wsc.edu>  
**Subject:** Auditors

I wanted to email you to report exactly what happened with the Minnesota State Football Game file.

After the game was completed on 11/5/16, I took the cash boxes back to my office. I locked them in a file cabinet until Monday. On 11/7/16 (Monday), I ran the Daily Sales Summary report on the UniversityTickets system. When I ran that report, the numbers matched what I had in my cash boxes (\$2,683.00). Both in Cash and in Checks. Since those numbers matched what I had, I deposited the funds with the Business Office. I do not recall adjusting any reports back when they were originally ran.

On 7/10/17 Kaye Young emailed me and requested more documentation for the gate receipts for the Minnesota State Football Game. She requested documents to support the deposit such as beginning and ending drawer balances, sales reports, and/or documentation of the review of such reports. On 7/11/17 I sent Kaye a PDF of everything I had in that file that would pertain to her request. Those would include the Cash Drawer sheets, Deposit receipt, transmittal, and Daily Sales Summary that was originally ran on 11/7/16 and had in the game file (\$2,683.00).

On 7/13/17, Kaye emailed requesting more documentation on the Minnesota State football game. She was requesting a report to show the breakdown of the tickets sold for that game. On 7/14/17 I ran the Sales by Price report on UniversityTickets system that had a total of \$2,883.00. After running that report, I realized it did not match my deposit amount or my Daily Sales Summary report that was ran on 11/7/16 and in the file. At that time, I ran another Daily Sales Summary report to see where the difference could be and I noticed that the checks were off by \$25 and the cash was off by \$175 with the total difference being \$200. I tried and tried to remember if anything was different about that day or the sales, but could not come up with anything. I went into a slight panic mode when I realized that there was a difference in the Daily Sales Summary that was in my File (ran on 11/7/16) and the Daily Sales Summary that I ran on 7/14/17. The only thing I could think of to do was to change the Sales by Price report to match the Daily Sales Summary (11/7/16) in my file, as I could not remember anything as to why there was a difference.

On 7/25/17, the auditors were in the Athletics Offices and were asking why the report that I had sent to Kaye was different than a report they had run that day. The report they ran on 7/25/17 had the same numbers that were on the 7/14/17 report ran by me. They asked me if I had done anything to alter the report and I didn't know what to say, knowing it was not a good thing that I had edited a report on 7/14/17. I told them that I did not change anything and did not know why they were different. I knew at the time that what I had done was wrong when I changed the Sales by Price report on 7/14/17, however, I know that I did not take any money from the college. I do not have an explanation as to why the Daily Sales Summary reports were different from 11/7/16 to 7/14/17. I knew that the Sales by Price report needed to match the Daily Sales Summary report that I had in my file (11/16/17), so I changed it to match. That is the only thing I did wrong.

I apologize for the dishonesty to the auditors. I didn't know what to say to them when they asked because I knew changing the Sales by Price report was wrong. I will say, with absolute conviction though, that no money was taken from the College. I just simply freaked out when they weren't the same and tried to make it up the best I could.

Please accept this email as an explanation and apology for what occurred. Again, I absolutely stand by the fact that I did not take any money from the college. I made a terrible choice in the way I handled the situation, and I acknowledge that.

Respectfully,

Ryan Hix