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NEWS RELEASE

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Auditor of State David A. Vaudt today released a report on a special investigation of the University of Northern Iowa (University) Events Complex Concessions (ECC) for the period October 1, 2006 through March 31, 2012. The ECC is responsible for all concessions operations at the UNI Dome, the McLeod Center and West Gym. The special investigation was requested by University officials because certain proceeds from concession sales were diverted.

The concession stands are operated by volunteers from non-profit organizations who run the concession stands in exchange for a portion of the proceeds from concession sales. ECC staff ensures the concession stands are stocked prior to the event, ending inventory is counted, change funds are provided and all proceeds are collected from the concession stands during and after the event. Concession stand proceeds are composed only of cash. After each event, proceeds are counted and the cash is bundled and paper clipped by denomination. The bundles are placed in a safe in the concession office until deposited.

Vaudt reported a recording from a video surveillance camera in the concession office showed James Kehl, the former Assistant Concessions Director, removed cash from the safe after a women's basketball game on February 24, 2012 and placed the cash in his wallet. By recounting the cash in the safe the next morning, the Concessions Director determined \$300.00 had been removed from the safe. Mr. Kehl was arrested on February 29, 2012. At the time of his arrest, 3 bundles of \$20.00 bills were found in Mr. Kehl's wallet. The bundles totaled \$300.00 and were paper clipped in the same way as the cash held in the safe. While the amount of cash included in his wallet agreed with the amount of cash viewed on the surveillance video, there is no assurance the \$300.00 found in his wallet was the same currency removed from the safe. Mr. Kehl was terminated from employment on March 1, 2012.

Vaudt also reported not all records used to track sales in the concession stands were retained and some of the records included changes to the amounts sold, ending inventory and amount spoiled. As a result, it was not possible to determine if additional collections were diverted.

Vaudt reported Mr. Kehl deposited \$17,430.97 of cash to his personal bank accounts between April 18, 2007 and February 13, 2012. Most of the cash deposits were made in even dollar amounts within 5 days of an event held at the UNI Dome, the McLeod Center or West Gym. However, because of the nature of cash sales and cash deposits, we are unable to definitively determine what portion of the cash deposited to Mr. Kehl's bank accounts was composed of collections from concession sales. No cash deposits were made to Mr. Kehl's personal bank accounts between February 13, 2012 and July 1, 2012, 4 months following his termination from employment at ECC.

Mr. Kehl pled guilty to a 4th degree theft charge on June 14, 2012. He was given a deferred judgment and ordered to pay \$200.00 restitution, fines and other court costs totaling \$540.00.

The report includes recommendations to strengthen internal controls and overall operations, such as using a point of sale system, ensuring inventory counts are verified by both volunteers and concession staff and cash is collected and locked in bank bags when cash is collected from the concession stands.

Copies of the report have been filed with the University's Department of Public Safety, the Division of Criminal Investigation, the Black Hawk County Attorney's Office and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1261-8030-BE00.pdf>.

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**SPECIAL INVESTIGATION
OF THE
UNIVERSITY OF NORTHERN IOWA
EVENTS COMPLEX CONCESSIONS

FOR THE PERIOD
OCTOBER 1, 2006 THROUGH MARCH 31, 2012**

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Auditor of State's Report

To the Members of the Board of Regents,
State of Iowa:

As a result of alleged improprieties regarding certain financial transactions and at the request of University of Northern Iowa (University) officials, we conducted a special investigation of the University's Events Complex Concessions (ECC). We have applied certain tests and procedures to selected transactions processed by ECC for the period October 1, 2006 through March 31, 2012. Based on a review of relevant information and discussions with ECC personnel and University officials, we performed the following procedures:

- (1) Interviewed ECC personnel to obtain an understanding of the job duties of individual positions within ECC and responsibilities of volunteers who operate concession stands during events.
- (2) Evaluated internal controls over inventory and proceeds collected by ECC to determine whether adequate policies and procedures were in place and operating effectively.
- (3) Obtained and reviewed reports for individual concession stands operated at certain events to determine if:
 - the electronic stand sheets were supported by the manual stand sheets,
 - the changes made to the manual stand sheets were appropriate and approved,
 - if collections calculated on the electronic stand sheets were properly deposited intact.
- (4) Obtained and reviewed personal bank statements, for the period April 18, 2007 through June 30, 2012, for accounts held at certain financial institutions by James Kehl, the former Assistant Concessions Director, to determine how much cash, if any, was deposited to his accounts.
- (5) Compared the dates of events held at the UNI Dome, the McLeod Center and West Gym to deposits made to Mr. Kehl's personal bank accounts to determine if any correlation could be identified between the events and the deposits.

A recording from a video surveillance camera in the concession office showed Mr. Kehl removed cash from the safe after a women's basketball game on February 24, 2012 and placed the cash in his wallet. By recounting the cash the next morning, the Concessions Director determined \$300.00 had been removed from the safe.

Mr. Kehl was arrested on February 29, 2012. At the time of his arrest, 3 bundles of \$20.00 bills were found in Mr. Kehl's wallet. The bundles totaled \$300.00 and were paper clipped in the same way as the cash held in the safe. While the amount of cash included in his wallet agreed with the amount of cash viewed on the surveillance video, there is no assurance the \$300.00 found in his wallet was the same currency removed from the safe. Because documentation was not consistently maintained or had been altered, we are unable to determine if the cash deposited by Mr. Kehl was improperly diverted concession collections.

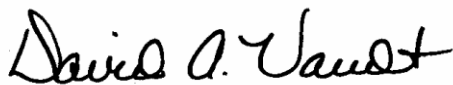
As a result of the procedures performed, we determined Mr. Kehl deposited \$17,430.97 of cash in his personal bank accounts between April 18, 2007 and February 13, 2012. No cash deposits were made to Mr. Kehl's personal bank accounts between February 13, 2012 and July 1, 2012, 4 months following his termination from employment at ECC.

Because not all records used to track sales in the concession stands were retained and because some of the records had been altered, it was not possible to determine if additional collections were diverted. Several internal control weaknesses were also identified. The detailed findings and recommendations are presented in the Investigative Summary and **Exhibit A** of this report.


The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the University's Department of Public Safety, the Division of Criminal Investigation, the Black Hawk County Attorney's Office and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the University of Northern Iowa during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2013

University of Northern Iowa
Events Complex Concessions
Investigative Summary

Background Information

The University of Northern Iowa (University) Events Complex Concessions (ECC) provides concession services to the UNI Dome, the McLeod Center and West Gym. ECC sales total approximately \$1.2 million per year. The concession stands operate exclusively with cash. Debit and credit cards are not accepted. The concession stands are primarily staffed with contracted vendors, temporary staff, student organizations and volunteers from local non-profit organizations. Volunteer organizations receive a 10% commission on total sales less sales tax and cash shortages.

Volunteers are supervised by University student workers and 2 full time employees. In addition, ECC employs 12 temporary merit staff, including 3 who assist with the bookkeeping and cash handling. The leader of each volunteer organization is required to attend a training session to become familiar with operation policies and procedures. The leader is to provide the training to the rest of the volunteers from their group.

Food and supplies are purchased by ECC using the University's normal purchasing procedures. Orders are placed with vendors and a purchase order is prepared and submitted to the Office of Business Operations (OBO) to be paid when the inventory is received. Food and supply deliveries are placed in a central location and distributed to the concession stands as needed. The only exception is when an event is allowed to sell beer and wine. For these events, ECC works directly with a local distributor to deliver beer and wine just prior to the event. ECC pays for the beer and wine when it is delivered using a University procurement card.

The concession stands are fully stocked prior to the start of each event. A manual stand sheet, which is used to track the inventory at each concession stand, is completed with the beginning quantities for each item to be sold. The manual stand sheet also includes a column for the Stand Manager to count the beginning inventory to ensure it was correct. Any adjustments to the beginning inventory are noted. The manual stand sheet also includes the following columns:

- Additional items received – this column is used to record inventory which are restocked as they are depleted during the event.
- Items transferred out – this column is used to account for inventory items transferred to another concession stand during the event.
- Spoils/eaten – this column is used to account for inventory items thrown out or eaten by staff during the event.
- Ending inventory – this column is used to record the number of inventory items counted at the end of the event.
- Units sold – this column is used to calculate the number of items sold during the event.

At the end of the event, an ending inventory is taken and recorded on the manual stand sheet. The quantity of items sold and spoiled is also recorded on the manual stand sheet from the attached spoils and eaten worksheet. The manual stand sheets are to be signed by the Stand Manager and an ECC staff member after they are completed. The manual stand sheets are then taken to the ECC office, where the information is entered into an electronic version of the manual stand sheet. The electronic stand sheet calculates the total sales and the amount to be paid as commission to the non-profit organization. Examples of a manual and an electronic stand sheet for a football game are included in **Appendix 1**.

The remaining perishable inventory is returned to the central inventory areas after the concession stands close. The central inventory storerooms are locked when an event is not in progress. However, the area is unlocked during events. There are no procedures to monitor when items are removed or returned to the central inventory area.

The concession stands operate on a cash basis. Debit and credit cards are not accepted. When the concession stands are ready to be opened, the Stand Manager receives a cash drawer. The startup cash varies based on the type of concession stand. For instance, startup cash totals \$350.00 for a kiosk, such as a walking taco stand. The startup cash also ranges between \$700.00 and \$1,000.00 for a main concession stand. The drawer is used to make change for items sold and hold collections from the sales. If additional change is needed during the event, the Stand Manager requests the change from an ECC staff member, who contacts the ECC Manager on duty to get the money out of the safe.

When the event is over, the cash drawer is returned to the ECC office to be counted and prepared for deposit. After the cash is counted, it is paper clipped in \$100.00 bundles of various denominations. The bundles are kept in the safe until the next business day when they are taken to OBO by ECC staff members for deposit. Public Safety is not used to deliver large deposits to OBO or to transfer additional change funds.

Table 1 lists various events and the range of sales per event for the 2008 through 2012 academic years.

Table 1	
Event	Range of Sales
Concerts	\$266,000 - 291,500
UNI Football	16,000 - 41,400
USA Wrestling Nationals	4,500 - 28,800
Boat/Arts and Crafts/Antique Shows	266 - 16,200
High School Football Playoffs	8,200 - 14,200
UNI Men's Basketball	1,000 - 12,700
UNI Volleyball	620 - 7,700
UNI Women's Basketball	100 - 5,500
UNI Wrestling	147 - 4,200

According to ECC staff we spoke with, the amount of sales can vary depending on the weather, how well a team is doing or the type of concert held. Sales amounts can also be affected when students are on break. The University is allowed to sell beer and wine for concerts and shows, such as the sports and vacation shows. As a result, sales revenue for concerts and shows will run higher than NCAA and High School sporting events.

According to the Concessions Director, he became concerned about the Assistant Concessions Director's activities in early 2012 based on his observations and comments made by ECC staff members. James Kehl was hired as the Assistant Concessions Director on November 3, 2006. As the Assistant Concessions Director, Mr. Kehl was responsible for helping provide training to the volunteers who acted as Stand Managers during events. He also assisted with inventory in the storerooms and helped ensure concession stands were properly stocked with inventory prior to and during events. Along with other ECC staff members, he was also responsible for providing oversight to concession stand operations during events and counting cash after events.

As a result of the Concessions Director's concerns, he had a surveillance video camera installed in the ECC office which was focused on the safe. A recording from the video surveillance camera showed Mr. Kehl, the former Assistant Concessions Director, removed cash from the safe after the women's basketball game on February 24, 2012 and placed the cash in his wallet. Based on a recount of cash performed the next morning by the Concessions Director, it was determined \$300.00 had been removed from the safe.

Mr. Kehl was arrested on February 29, 2012. At the time of his arrest, 3 bundles of \$20.00 bills were found in Mr. Kehl's wallet. The bundles totaled \$300.00 and were paper clipped in the same way as the cash held in the safe. While the amount of cash included in his wallet agreed with the amount of cash viewed on the surveillance video, there is no assurance the \$300.00 found in his wallet was the same currency removed from the safe. Mr. Kehl was terminated from employment effective March 1, 2012.

Because undeposited collections were identified, University officials contacted the Office of Auditor of State and requested an investigation. As a result, we performed the procedures detailed in the Auditor of State's Report for the period October 1, 2006 through March 31, 2012.

Detailed Findings

The procedures identified improvements needed in the controls over inventory and collections. Based on the procedures performed, we determined not all records used to track sales in the concession stands were retained and some records included changes to the amounts sold, ending inventory and amounts spoiled. As a result, it was not possible to determine if any collections other than the \$300.00 removed from the safe were diverted.

The procedures also identified \$17,430.97 of cash deposited to Mr. Kehl's bank accounts between April 18, 2007 and February 13, 2012. Most of the cash deposits were made in even dollar amounts within 5 days of an event held at the UNI Dome, the McLeod Center or West Gym. However, because of the nature of cash sales and cash deposits, we are unable to definitively determine what portion of the cash deposited to Mr. Kehl's bank accounts was composed of collections from concession sales. No cash deposits were made to Mr. Kehl's personal bank accounts between February 13, 2012 and July 1, 2012, 4 months following his termination from employment at ECC.

Deposits to Mr. Kehl's personal bank accounts between April 18, 2007 and February 13, 2012 which include cash are listed in **Exhibit A** and a detailed explanation of each finding follows.

CASH HELD BY JAMES KEHL

On the night of February 24, 2012, a women's basketball game was held. After the concession stands closed and the concession activity had been balanced, the video surveillance camera recorded Mr. Kehl removing cash from the safe. By recounting the cash in the safe the next morning, the Concessions Director determined \$300.00 had been removed from the safe.

While Mr. Kehl had been at the McLeod Center earlier that evening to help set up the concession stands, he was not needed during the event, so he was not involved in manning the concession stands or closing them out. According to the Concessions Director, Mr. Kehl was not present after helping get the concession stands set up.

We reviewed the manual and electronic stand sheets for the basketball game and determined the manual and electronic stand sheets had not been changed and did not balance with the amount of cash in the safe the following morning. Based on ECC's normal procedures, Mr. Kehl would have had the opportunity to change the manual and/or electronic stand sheets prior to matching the receipt from OBO after the collections were taken to OBO for deposit.

CASH DEPOSITS TO JAMES KEHL'S PERSONAL BANK ACCOUNTS

Because the video surveillance camera in the ECC office showed Mr. Kehl removed cash from the safe on February 24, 2012, we reviewed deposits made to his personal bank accounts to determine how much cash, if any, was deposited. We identified personal bank accounts held by Mr. Kehl at a local credit union and a local bank. However, based on information we obtained, cash deposits were not made to the account he held at the credit union.

Using the information provided by the bank and excluding Mr. Kehl's electronic payroll deposits and transfers from other accounts, we identified 54 deposits to Mr. Kehl's accounts between April 18, 2007 and February 13, 2012 which exceeded \$100.00. The bank provided the information necessary to determine what portion of the 54 deposits was cash and what portion was checks. The bank also provided this information for an additional deposit of \$80.00.

The 55 deposits for which the bank provided information are listed in **Exhibit A**. As illustrated by the **Exhibit**, the deposits total \$28,781.63 and include \$17,430.97 of cash. The remaining \$11,350.66 was composed of checks. As illustrated by the **Exhibit**, most of the deposits were made through an automated teller machine (ATM).

The **Exhibit** includes the dates of events held prior to the cash deposits made by Mr. Kehl. As illustrated by the **Exhibit**, the events identified were held between April 12, 2007 and February 13, 2012. We compared the dates of the deposits which included cash to the dates events were held where concessions were sold. **Table 2** separates the 55 deposits by the number of days between the date of the deposit and the date of the most recent event where concessions were sold.

Table 2		
Number of Days#	Number of Deposits	Cash Deposits
0	4	\$ 1,500.00
1	8	3,820.00
2	12	3,877.00
3	8	2,675.00
4	2	340.00
5	5	1,930.00
6-10	5	1,218.97
11-15	2	600.00
No activities	9	1,470.00
Total	55	\$ 17,430.97

- Between date of cash deposit and the most recent event for which concession stands were open.

Of the \$17,430.97 shown in the **Table**, \$14,142.00, or 81% of the total amount, was deposited within 5 days of an event being held. However, because of the nature of cash sales and cash deposits, we are unable to definitively determine what portion of the cash deposited to Mr. Kehl's bank accounts was composed of collections from concession sales. In addition, because sufficient records were not available from ECC, we were unable to determine the exact amount of concession sales diverted from ECC deposits. These concerns are discussed in detail in the following paragraphs of this report.

As previously stated, Mr. Kehl was terminated from employment on March 1, 2012. We reviewed Mr. Kehl's personal bank statements for the period March 1, 2012 through June 30, 2012 and did not identify any cash deposits during this period.

Criminal charges against Mr. Kehl were filed by the University's Public Safety Department on February 29, 2012. He pled guilty to 4th degree theft on June 14, 2012. He was given a deferred judgment and ordered to pay \$200.00 restitution, fines and other court costs totaling \$540.00. According to online court records, the total \$740.00 obligation has been paid.

CONTROLS OVER CONCESSION STAND SALES

As previously stated, the concession stands are operated by contracted vendors, temporary staff, student organizations and volunteers from local non-profit organizations. However, they are primarily operated by volunteers from non-profit organizations and student organizations who run the concession stand in exchange for a portion of the proceeds from concession sales. To monitor the number of items sold at the concession stands during an event and determine the amount of collections which should be remitted by each individual concession stand, certain records are prepared for each concession stand at each event.

Manual stand sheets which summarize the number of individual inventory items sold are prepared for each concession stand. The manual stand sheets include the per unit price which is used to calculate the sales by item and the total collections for the concession stand. The manual stand sheets are returned to the Concessions Office with the cash drawer(s) for each concession stand. The information on the manual stand sheets is then entered into an electronic spreadsheet. The electronic spreadsheet calculates the amount which should have been collected at each concession stand, the amount to be deposited and the 10% to be remitted to the volunteer organization. The amount to be deposited, as recorded on the electronic spreadsheet, is balanced with the collections in the cash drawers for each individual concession stand.

To determine if additional collections were diverted, we attempted to use the information recorded in the manual and electronic stand sheets to determine the expected amount of collections. We attempted to compare this information to the amount actually deposited by ECC. However, we determined not all records used to track concession stand sales were retained and some of the records included changes to the amounts sold, ending inventory and amount spoiled. Because we were unable to determine if the changes made were appropriate, it was not possible to determine if additional collections were diverted.

The specific concerns identified during our investigation are discussed in detail in the following paragraphs.

Manual and Electronic Stand Sheets - Stand sheets are used to track inventory items in the individual concession stands, such as the number of soda cups, bottled water, popcorn tubs, brats, hot dogs, ice cream cones and candy. The stand sheets include columns for the beginning inventory, inventory received during the event, items sold, items spoiled and the ending inventory.

It is not unusual or inappropriate for manual stand sheets to include changes on lines for individual inventory items. For example, if the beginning balance was actually less than the pre-printed expected balance, the preprinted number would be scratched out and the actual number noted. Also, if a notation for an addition, transfer out or a spoiled item was recorded on an incorrect line, it would be crossed out and re-entered correctly. In addition, changes could be made to the manual stand sheet which could not be identified during our review. Some manual stand sheets were prepared in pencil rather than pen. As a result, information could be erased and changed but not identified. Because the manual stand sheets did not include notations of why changes were made, we were unable to determine the propriety of the revised information.

Electronic stand sheets may also include changes which are not reflected on the related manual stand sheets. For example, if the information recorded from the manual stand sheet into the electronic stand sheet results in a calculated sales amount which is significantly different from the amount of cash remitted to the Concessions Office, the ECC staff may have someone recount the ending inventory in the concession stand. If a miscount was recorded on the manual stand

sheet, the correction may only be made to the electronic stand sheet. As a result, the electronic stand sheet would not agree with the manual stand sheet, but the correction to the electronic stand sheet would be appropriate.

Because the controls over the stand sheets and the cash are not properly segregated, someone with access to both the stand sheets and the cash collections could divert collections and make changes to the stand sheets which make it appear fewer concessions were sold.

We reviewed 40 electronic stand sheets, compared the information recorded on them to the information recorded on the related manual sheets and identified the following concerns:

- The manual stand sheet was not retained for 16 of the 40 electronic stand sheets reviewed. As a result, we were unable to determine if the information recorded in the electronic stand sheets agreed with the manual stand sheets. We were also unable to determine if the manual stand sheets had been adjusted.
- Beginning inventory recorded on the manual stand sheet did not agree to the beginning inventory on the electronic stand sheet for 4 of the 24 instances in which both the manual and electronic stand sheets were available. In cases where the beginning balance on the manual stand sheet exceeded the amount recorded on the electronic stand sheet, the sales amount recorded may have been improperly reduced in order to divert cash.
- Items listed on the manual stand sheet as additions (“Received”) were not included in the electronic stand sheet as additions for 9 of the 24 instances in which both the manual and electronic stand sheets were available. In addition, for 3 of the 24 instances, the number of items recorded on the manual stand sheets as transferred out of the concession stand did not agree with the number of items recorded on the related electronic stand sheets. Because the activity recorded was different, the actual sales recorded on the electronic stand sheets may have been understated and the difference between actual collections and the recorded collections may have been diverted.
- We identified differences between the number of items recorded as spoiled or eaten on the manual stand sheet and the electronic stand sheet for 3 of the 24 instances in which both the manual and electronic stand sheets were available. By improperly increasing the amount of spoiled or eaten items, the amount of calculated collections is decreased. As a result, cash may have been diverted.
- Ending balances recorded on the manual stand sheet did not agree to the electronic stand sheet for 5 of the 24 instances in which both the manual and electronic stand sheets were available. In cases where the ending balance on the manual stand sheet exceeded the amount recorded on the electronic stand sheet, the sales amount recorded may have been improperly reduced in order to divert cash.
- Of the 24 manual stand sheets available, 2 were not signed by the Stand Manager. As a result, we were unable to determine if the Stand Manager concurred with the information recorded on the manual stand sheet available for our review.
- Of the 24 manual stand sheets available, 5 did not include the signature of the ECC employee who entered the information into the electronic system. As a result, we were unable to determine who recorded the sales and collection information for the concession stand.
- Variances between the manual stand sheet and the electronic stand sheet were not explained for 9 of the 24 instances in which both the manual and electronic stand sheets were available. **Table 3** shows the variances identified.

Table 3

Date of Event	Event	Cash Long / (Short)
09/14/07	Northern University High Football	\$ (4.00)
10/05/07	Cedar Falls High Basketball	42.00
12/21/07	Arts & Crafts Show	112.50
02/26/08	High School Boys Substate	(82.50)
02/26/08	High School Boys Substate	(3.00)
10/11/08	UNI Football vs. Illinois State	85.00
03/05/11	USA State Wrestling	(350.00)
01/21/12	Boat Show Day 2	(600.00)
01/22/12	Boat Show Day 3	(52.50)
Total		<u>\$ (852.50)</u>

We discussed the variances we identified with the Concessions Director. According to the Concessions Director, the variances may have been caused by corrections made to the electronic stand sheets which were not noted on the manual stand sheets. The electronic stand sheets would have materially balanced to the collections sent to OBO for deposit. We verified the amount of cash deposited with OBO agreed with the amount recorded on the electronic stand sheets.

We also determined there are no procedures to track who counts and returns the inventory to the main storeroom, who picks up the cash box and the manual stand sheets from the concession stand and who delivers them to the main office. By allowing 1 person to perform all these duties, the individual picking up the cash, stand sheets and the inventory could divert collections and adjust the manual stand sheets to ensure the amount in the cash box agrees with the collections recorded on the manual stand sheets.

An ECC staff member we spoke with stated employees have the ability to change the number of items returned to inventory after the concession stand closes. Because there is not a policy requiring the reason for a change or the individual making the change be documented, we are unable to determine if changes made are appropriate.

According to the Concessions Director, an ECC employee reported seeing Mr. Kehl alter an electronic stand sheet when it was left open on the computer. He also stated Mr. Kehl sometimes told staff they could go home and he would finish up because it had been a late night. It was also common for Mr. Kehl to be responsible for events in the McLeod Center rather than the Concessions Director because only 1 or 2 stands were open. This provided Mr. Kehl the opportunity to change the manual and electronic stand sheets in order to divert collections from the cash drawers or the safe without detection.

Inventory – During our investigation, we evaluated ECC’s controls over inventory of concession stand items. As previously stated, ECC orders inventory through the normal purchasing procedures and stores the inventory in central storerooms. Inventory is also transferred between stands during events. Inventory is maintained at the stands, except for perishable items which are returned to the cooler/freezer at the end of an event.

During the period of our investigation, the inventory was not tracked when items were removed from the storerooms and delivered to the concession stands prior to or during an event. Transfers between stands were to be recorded on the stand sheets as a transfer out or as items received.

In addition, ECC relied on the stand sheets to track inventory once it was moved from the storerooms to the concession stands. As previously stated, we determined manual stand sheets included changes which were often penciled in over the old numbers or were whited-out and a new number was written in. As a result, the beginning balances and the number of items transferred as recorded on the stand sheets could be altered, making it possible for an employee or volunteer to reduce the number of products sold and the amount of collections.

ECC has improved controls over the inventory of concession stand items as they leave the central storerooms. Items are now tracked by type and quantity when they are moved from the storerooms to the concession stands. Records for transfers between the concession stands have not changed. However, ECC plans to implement a point-of-sale system which will improve controls over inventory items at each concession stand.

Cash Boxes - At the beginning of each school year, the Concessions Director requests a specified amount of cash from OBO to be used as change in the cash drawers throughout the year. Once the cash is received, it is split into the cash drawers to be used for events. When a concession stand is ready to be opened, the Stand Manager receives a cash drawer with the designated amount of start up cash. During the event, cash received from the sale of items is to be placed in the cash drawer. At the end of the event, the cash drawer and the manual stand sheet are to be given to an ECC staff member. The cash is not counted by the Stand Manager and the cash drawer is not locked.

The cash drawers are returned to the ECC Office to be counted and reconciled to the manual stand sheets. Once the stand sheets are reconciled to the collections, a deposit is prepared for the event. The cash is kept in the safe until the deposit can be taken to OBO on the next business day by an ECC staff member. Previously, Public Safety staff members delivered large deposits to OBO. However, Public Safety staff now transport all collections to OBO.

The original startup cash is maintained in the safe. During the year, the Concession Manager requests additional funds from OBO if additional cash is needed for change for a specific event or series of events.

The concession stand operations moved from the UNI Dome to the McLeod Center in November 2012. Cash is now kept in the cashier's office of the McLeod Center which is independent of the concession office. The Concessions Director has also worked with UNITix staff and Public Safety to coordinate all cash transfers and deposits.

In addition, the Concessions Director has been authorized to implement a new point-of-sale system. This system will allow the concession stands to accept credit and debit cards. It will also keep an electronic record of the number of items sold, the amount of sales per item and the total amount collected. The additional information will provide more reliable information to the ECC staff members to reconcile each concession stand's sales to the collections from the concession stand.

Duties Not Properly Segregated – Mr. Kehl and other ECC staff members had access to cash collections and manual stand sheets from the time the collections were taken from the individual concession stands to the time the collections were counted and placed in the safe in the ECC office. As a result, the manual stand sheets could be changed to reflect activity which would account for any diverted collections. Mr. Kehl and the Concessions Director also had access to the collections after they were placed in the safe and the electronic stand sheets. Because they had access to both the cash and the electronic stand sheets, they had the opportunity to make changes to the electronic stand sheets which would allow collections to be diverted without detection.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the University's Events Complex Concessions (ECC) to collect, record and deposit proceeds from concession stand sales. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors or irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the ECC's office's internal controls.

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among individuals to prevent one person from handling duties which are incompatible. During our investigation, we determined all ECC staff members may be responsible for:

- Collecting the manual stand sheets,
- Collecting cash boxes from the concession stands and
- Collecting perishable inventory items from individual concession stands to be returned to the storerooms.

As a result, cash and inventory items can be improperly diverted and unauthorized changes can be made to the related manual stand sheets which prevent anyone from detecting the improper actions in a timely manner.

Recommendation – While we recognize it is necessary for certain levels of management to have the ability to periodically record and deposit funds, transactions which may result in collections being diverted from the ECC should be monitored by an independent party on a routine basis.

Reconciliations should be prepared by someone independent of collecting the revenue from the concession stands and reconciling the inventory used to the amount collected. The inventory process should be segregated from the collection and depositing of cash.

- (B) Inventory – Inventory is maintained in central storerooms and delivered to the concession stands before an event and as needed during an event. When the inventory is delivered to the concession stand, it is counted by the Stand Manager. At the end of an event, the remaining perishable inventory is returned to the central storerooms. We identified the following concerns for the period of our investigation:

- Inventory was not tracked when items were removed from the storerooms and delivered to the concession stands prior to or during an event.
- If there were changes to the manual stand sheets, there is no indication an ECC staff member agreed with the changes, why changes were necessary or who made the changes.
- There were no procedures to show inventory restocked at the end of an event.
- The central storerooms were not locked during an event.
- Stand sheets were not always signed by the Stand Manager at the end of an event.

Recommendation – The University should develop procedures to account for inventory during all phases of an event. Changes to beginning inventory should be reviewed by an ECC staff member. The stand sheets should be signed by the Stand Manager after a final inventory count is made.

Status – ECC has improved controls over the inventory of concession stand items as they leave the central storerooms. Items are now tracked by type and quantity when they are moved from the storerooms to the concession stands. In addition, ECC plans to implement a point-of-sale system which will improve controls over inventory items at each concession stand.

- (C) Cash Handling – Each concession stand is provided a cash drawer at the beginning of each event. During an event, all cash collected is to be placed in the cash drawer. The cash drawer is collected at the end of the event and returned to the Concessions Office where the cash is reconciled to the amount sold and a deposit is prepared. We identified the following concerns:

- The cash drawer is not locked before or after the event.
- Cash is not counted by the Stand Manager and reconciled to the manual stand sheets.
- Change orders are picked up by staff from OBO.
- During the period of our investigation, deposits were delivered by ECC staff members to OBO.

Recommendation – The University should implement procedures to ensure cash is secured before, during and after an event. ECC should coordinate with the Department of Public Safety to pick up all change orders and deposits to be taken to OBO at the end of an event.

Status – ECC is implementing a new point of sale system which will facilitate ECC's ability to reconcile the amount sold at each concession stand to the amounts collected. In addition, cash is collected and placed in secure bank bags and all deposits are now transported to OBO by the Department of Public Safety.

Exhibits

Report on Special Investigation of the
University of Northern Iowa
Events Complex Concessions

Deposits to James Kehl's Personal Bank Accounts
Compared to Events at the Events Complex
For the Period October 1, 2006 through March 31, 2012

Per Bank Statement				Detailed Deposit Information		
Deposit Date	Description	Amount		Cash	Check	Total
04/18/07	Deposit	\$ 549.81		549.81	-	549.81
07/10/07	Deposit	103.66		20.00	83.66	103.66
07/16/07	Deposit	490.00		200.00	290.00	490.00
01/29/08	Deposit	169.16		169.16	-	169.16
02/11/08	Deposit	600.00		600.00	-	600.00
03/04/08	ATM Deposit	307.00		297.00	10.00	307.00
03/12/08	ATM Deposit	300.00		300.00	-	300.00
03/19/08	ATM Deposit	450.00		450.00	-	450.00
04/08/08	ATM Deposit	400.00		400.00	-	400.00
04/14/08	ATM Deposit	100.00		100.00	-	100.00
04/23/08	ATM Deposit	420.00		420.00	-	420.00
05/16/08	ATM Deposit	300.00		300.00	-	300.00
07/14/08	ATM Deposit	110.00		110.00	-	110.00
09/25/08	ATM Deposit	260.00		260.00	-	260.00
11/07/08	ATM Deposit	700.00		700.00	-	700.00
02/18/09	Deposit	1,500.00		240.00	1,260.00	1,500.00
05/11/09	ATM Deposit	250.00		250.00	-	250.00
07/24/09	ATM Deposit	225.00		200.00	25.00	225.00
10/20/09	ATM Deposit	135.00		135.00	-	135.00
11/02/09	ATM Deposit	130.00		130.00	-	130.00
12/07/09	ATM Deposit	160.00		160.00	-	160.00
12/21/09	ATM Deposit	130.00		130.00	-	130.00
01/20/10	ATM Deposit	100.00		100.00	-	100.00
01/26/10	ATM Deposit	80.00		30.00	50.00	80.00
02/10/10	ATM Deposit	100.00		100.00	-	100.00
03/11/10	ATM Deposit	470.00		470.00	-	470.00
03/25/10	Deposit	100.00		100.00	-	100.00
03/26/10	Deposit	160.00		160.00	-	160.00
04/05/10	ATM Deposit	400.00		400.00	-	400.00
04/15/10	ATM Deposit	100.00		100.00	-	100.00

Event Prior to Date of Deposit		
Date	Description	# of Days Between Event and Deposit
04/12/07	Panther Productions	6
-	<i>No events within 14 days of this deposit</i>	-
-	<i>No events within 14 days of this deposit</i>	-
01/20/08	Missouri State MBB	9
02/10/08	South Dakota State WR	1
02/29-03/02/08	MVC Track Meet	2
03/07-03/09/08	Sports Show	3
03/17-03/18/08	Mississippi Valley Track Meet	1
04/04-04/06/08	USA wrestling	-
-	<i>No events within 14 days of this deposit</i>	-
04/21/08	OAR Concert	2
05/10/08	Graduation	6
-	<i>No events within 14 days of this deposit</i>	-
09/20/08	09/20/08 - FB vs. SDSU, VB vs. Creighton; 09/23/08 - VB vs. SDSU	5
11/07/08	Multiple events	0
02/14/09	Chattanooga WR	4
05/09/09	Graduation	2
-	<i>No events within 14 days of this deposit</i>	-
10/17/09	Southern Illinois FB Homecoming, Missouri State WBB	3
10/30/09	USA Wrestling Preseason Tourney	3
12/5/2009#	Possible UNI Football Playoff Game / MBB	2
12/19/09	Iowa State WR - 12/19/09	2
01/06/10	Indiana State MBB	14
01/23-01/24/10	Boat Show	2
02/03/10	Wichita State MBB	7
03/07-03/08/10	USA State Wrestling	3
03/21/10	Antique Show (03/19/10 - 03/21/10)	4
03/21/10	Antique Show (03/19/10 - 03/21/10)	5
04/02-04/04/10	USA National Wrestling	1
04/13/10	Casting Crowns Concert	2

Report on Special Investigation of the
University of Northern Iowa
Events Complex Concessions

Deposits to James Kehl's Personal Bank Accounts
Compared to Events at the Events Complex
For the Period October 1, 2006 through March 31, 2012

Per Bank Statement			Detailed Deposit Information		
Deposit Date	Description	Amount	Cash	Check	Total
04/23/10	ATM Deposit	100.00	100.00	-	100.00
05/24/10	ATM Deposit	200.00	200.00	-	200.00
05/25/10	ATM Deposit	140.00	140.00	-	140.00
06/15/10	ATM Deposit	100.00	100.00	-	100.00
11/01/10	Deposit	1,100.00	1,100.00	-	1,100.00
11/18/10	ATM Deposit	1,000.00	1,000.00	-	1,000.00
12/08/10	ATM Deposit	460.00	460.00	-	460.00
12/20/10	ATM Deposit	400.00	400.00	-	400.00
01/04/11	Deposit	9,524.00	100.00	9,424.00	9,524.00
01/26/11	ATM Deposit	688.00	680.00	8.00	688.00
02/01/11	ATM Deposit	100.00	100.00	-	100.00
03/16/11	ATM Deposit	500.00	500.00	-	500.00
10/26/11	ATM Deposit	200.00	200.00	-	200.00
11/01/11	ATM Deposit	800.00	800.00	-	800.00
11/07/11	ATM Deposit	300.00	300.00	-	300.00
11/15/11	ATM Deposit	570.00	570.00	-	570.00
11/22/11	ATM Deposit	350.00	350.00	-	350.00
12/12/11	ATM Deposit	290.00	290.00	-	290.00
12/21/11	ATM Deposit	300.00	300.00	-	300.00
12/29/11	Deposit	500.00	400.00	100.00	500.00
01/03/12	ATM Deposit	410.00	310.00	100.00	410.00
01/17/12	ATM Deposit	300.00	300.00	-	300.00
01/25/12	ATM Deposit	400.00	400.00	-	400.00
02/02/12	ATM Deposit	450.00	450.00	-	450.00
02/13/12	ATM Deposit	300.00	300.00	-	300.00
Total		\$ 28,781.63	17,430.97	11,350.66	28,781.63

- University Event staff could not remember the specific date and it was not listed on the master schedule.

^ - Deposit slip shows Mr. Kehl's wife made the deposit.

Event Prior to Date of Deposit		# of Days Between Event and Deposit
Date	Description	
04/23/10	Jay Sean Concert	0
-	<i>No events within 14 days of this deposit</i>	-
-	<i>No events within 14 days of this deposit</i>	-
-	<i>No events within 14 days of this deposit</i>	NA
10/27-10/30/10	IHSAA FB State	2
11/13/10	Indiana State VB - 11/12/10, Mo State FB 11/13/10, Illinois State VB - 11/13/10	5
11/24-12/05/10	MVC and NCAA Tournament	3
12/19/10	State MBB - 12/17/10, North Dakota WBB - 12/18/10, Southern Illinois MBB - 12/19/10	1
12/29/10	Missouri State MBB	6
01/23/11	Nebraska WR	3
01/29/11	Northern Illinois Wrestling - 1/28/11, Jack Jennett Invitational - 1/28-29/11, Bradley WBB - 1/29/11	3
03/05/11	WBB-Illinois State	11
10/21-10/22/11	Several events in MCL (VB) and DOME (FB)	5
10/29-10/31/11	Multiple events	1
11/4-11/6/11	Multiple events	1
11/10-11/14/11	Multiple events	1
11/18-11/20/11	Multiple events	2
12/09-12/10/11	UNI MBB and WBB (iowa, Moorhead state, SDSU)	2
12/17-12/20/11	UNI BB Noth Dakota, So. Illinois, So.Carolina	1
12/29/11	Witchita State	0
12/29/11	WBB vs. Witchita State	5
01/12-01/15/12	Multiple events	2
01/20-01/22/12	Multiple events	3
01/29-01/31/12	MBB vs Southern IL & USA Wrestling States	2
02-10-02/13/12	Multiple events	0

Report on Special Investigation of the
University of Northern Iowa
Events Complex Concessions

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
James S. Cunningham, CPA, Manager
Kelly L. Hilton, Senior Auditor

A handwritten signature in black ink, reading "Tamera S. Kusian". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

Tamera S. Kusian, CPA
Deputy Auditor of State

Appendix

Report on Special Investigation of the
University of Northern Iowa
Events Complex Concessions

Copies of Manual and Electronic Stand Sheets
For the Period October 1, 2006 through March 31, 2012

(Manual)

Stand Sheet
University of Northern Iowa

DATE: 10-11-08 10/11/08 Event: UNI FB vs. Ill St. Stand Number: 4
Day: Saturday Group Name: [REDACTED]

Item	Count	Your Count	Beg. Inv.	+Received	-Transfer Out	-Spoils Eatens	-End Inv.	=Units Sold	Price \$	Total Sales \$
Water bottled	24 / case	458	458				241	458	\$2.50	\$1,145.00
Small Soda (1000 cs)	50 / sleeve	500	500				409	500	\$2.50	\$1,250.00
Medium Soda (1000 cs)	50 / sleeve	500	500			55	389	500	\$3.00	\$1,500.00
Large Soda (480 cs)	40 / sleeve	320	320				159	320	\$3.50	\$1,120.00
Dome Dog	80 / case	200/150	160			95	32	160	\$2.50	\$400.00
Brats	60 / case	60	60	200		18	20	60	\$3.50	\$210.00
Polish Sausage Cheddar	50 / case	50	48	30		10	36	48	\$3.50	\$168.00
Small Popcorn (500 cs)	50 / sleeve	100	100				66	100	\$2.50	\$250.00
Medium popcorn	50 / packet	100	100				73	100	\$3.50	\$350.00
Large Popcorn (150 cs)	50 / case	100	100				62	100	\$4.50	\$450.00
Nachos - Chips	40 / Case	80	80				24	80	\$3.00	\$240.00
Soft Pretzel	50 / case	100	100				0	100	\$3.00	\$300.00
Ice Cream Cones	100 / case	200	200			2	21	200	\$3.50	\$700.00
Ice Cream Cups	125/sleeve	249	200			2	220	200	\$3.50	\$700.00
Ice Cream Novelties								0	\$3.00	\$0.00
Candy		120	120				95	120	\$2.00	\$240.00
Pizza Slice								0	\$3.00	\$0.00
Cheese Cup	50 / bag	150	150		80		9	70	\$0.50	\$35.00
Sauerkraut		12	12				9	12	\$0.50	\$6.00
Chips		18	18				15	18	\$1.50	\$27.00
Peanuts		20	20				15	20	\$2.50	\$50.00
Coffee and hot choc.	50 / sleeve	50	50				50	50	\$2.00	\$100.00
Hot Pop								0	\$3.00	\$0.00
Well's Chills								0	\$3.00	\$0.00
Gatorade								0	\$3.00	\$0.00
Small Caramel Corn		30	30				10	30	\$3.50	\$105.00
Suckers		65	65				10	65	\$0.50	\$32.50
Combo's		18	18				17	18	\$2.00	\$36.00
Cotton Candy		20	20				16	20	\$3.50	\$70.00
Programs				30			13	0	\$3.00	\$0.00
Coupons				0				0	(\$1.00)	\$0.00
Total Sales										\$9,484.50

Deposits #1 \$0.00
Deposits #2 \$0.00
Deposits #3 \$0.00
Deposits #4 \$0.00
Deposits #5 \$0.00
Deposits #6 \$0.00

Inventory Sales \$ \$9,484.50
Total Cash (minus bank) \$ -\$1,000.00
Over / Short \$ (\$10,484.50)

Banks for Concession Stands
Are \$ **\$1,000.00**

Amount of Commissions

-\$9,598.10

1's **400**
5's **400**
Half Dollars **200**
Total **1000**

Total Cash Received \$0.00

Stand Manager

Concessions Runner

Total Sales: \$9,484.50
Sales Tax: \$886.40
% Commission \$886.40
Minus shortage #####
Total Commission: (\$9,598.10)

Stand workers

Name	Phone #
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Report on Special Investigation of the
University of Northern Iowa
Events Complex Concessions

Copies of Manual and Electronic Stand Sheets
For the Period October 1, 2006 through March 31, 2012

(Electronic)

Stand Sheet

University of Northern Iowa

DATE: 10/11/08 Event: UNLFB vs. IU'S Stand Number: 4
Saturday Group Name:

Item	Count	Your Count	Beg. Inv.	+Received	-Transfer Out	-Spoils Eatens	-End Inv.	=Units Sold	Price \$	Total Sales \$
Water bottled	24 / case		458				241	217	\$2.50	\$542.50
Small Soda (1000 cs)	50 / sleeve		500				409	91	\$2.50	\$227.50
Medium Soda (1000 cs)	50 / sleeve		500				389	111	\$3.00	\$333.00
Large Soda (480 cs)	40 / sleeve		320				159	161	\$3.50	\$563.50
Dome Dog	80 / case		150			5	32	113	\$2.50	\$282.50
Brats	60 / case		60				20	40	\$3.50	\$140.00
Polish Sausage	50 / case		48			10	36	2	\$3.50	\$7.00
Small Popcorn (500 cs)	50 / sleeve		100				66	34	\$2.50	\$85.00
Medium popcorn	50 / packet		100				73	27	\$3.50	\$94.50
Large Popcorn (150 cs)	50 / case		100				64	36	\$4.50	\$162.00
Nachos - Chips	40 / Case		80				24	56	\$3.00	\$168.00
Soft Pretzel	50 / case		100				0	100	\$3.00	\$300.00
Ice Cream Cones	100 / case		200			2	21	177	\$3.50	\$619.50
Ice Cream Cups	125 / sleeve		249			2	220	27	\$3.50	\$94.50
Ice Cream Novelties			0				0	0	\$3.00	\$0.00
Candy			120				95	25	\$2.00	\$50.00
Pizza Slice			0				0	0	\$3.00	\$0.00
Cheese Cup	50 / bag		150		56		9	85	\$0.50	\$42.50
Sauerkraut			12				9	3	\$0.50	\$1.50
Chips			19				15	4	\$1.50	\$6.00
Peanuts			20				15	5	\$2.50	\$12.50
Coffee and hot choc.	50 / sleeve		50				50	0	\$2.00	\$0.00
Hard Pop			0				0	0	\$3.00	\$0.00
Wendy's Chills			0				0	0	\$3.00	\$0.00
Gatorade			0				0	0	\$3.00	\$0.00
Small Caramel Corn			30				10	20	\$3.50	\$70.00
Suckers			65				63	2	\$0.50	\$1.00
Combo's			18				17	1	\$2.00	\$2.00
Cotton Candy			20				16	4	\$3.50	\$14.00
Programs				30			13	17	\$3.00	\$51.00
Coupons				2			0	2	(\$1.00)	(\$2.00)
Total Sales										\$3,868.00

Deposits #1 \$3,116.00
Deposits #2 \$912.00
Deposits #3 \$842.30
Deposits #4 \$0.00
Deposits #5 \$0.00
Deposits #6 \$0.00

Inventory Sales \$ 3,868.00
Total Cash (minus bank) \$ 3,870.30
Over / Short \$ 2.30

Banks for Concession Stands
Are \$ 1,000.00

1's 400
5's 400
Half Dollars 200
Total 1000

Amount of Commissions \$361.68

Total Cash Received \$4,870.30

Stand Manager _____

Concessions Runner _____

Total Sales: \$3,870.00
Total Sales Tax: \$3,616.82
Total Commission \$361.68
Minus shortage \$0.00
Total Commission: \$361.68

Stand workers	Name	Phone #
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		