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Mary Mosiman, CPA  
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## NEWS RELEASE

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FOR RELEASE

August 7, 2015

Auditor of State Mary Mosiman today released a report on a special investigation of the University of Northern Iowa, College of Education – Curriculum and Instruction Department for the period January 1, 2012 through October 31, 2014. The special investigation was requested after it was determined an employee had substituted a personal check for cash collections in a deposit to the University’s Office of Business Operations.

Mosiman reported the special investigation identified \$3,128.37 of undeposited collections. Mosiman also reported collections which were not deposited in a timely manner were also identified. In addition, Mosiman reported \$2,342.00 of checks issued by a University employee were deposited in place of undeposited cash collections.

The collections which were not properly deposited include membership fees from University students participating in the Student Reading Association, tuition payments from families with students enrolled in the Literacy Clinic, materials fees from University students, and proceeds from book fairs held on campus.

Mosiman also reported it was not possible to determine if additional collections were not properly deposited because certain records were not available for all time periods.

The report includes recommendations to strengthen the University’s internal controls, such as improving segregation of duties, independent reviews of amounts deposited, and maintaining adequate documentation to properly support collections.

Copies of the report have been filed with the Board of Regents’ Office of Internal Audit, 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 website at <http://auditor.iowa.gov/specials/1561-8030-BE02.pdf>.

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**REPORT ON SPECIAL INVESTIGATION OF THE  
UNIVERSITY OF NORTHERN IOWA  
COLLEGE OF EDUCATION -  
CURRICULUM AND INSTRUCTION DEPARTMENT**

**FOR THE PERIOD  
JANUARY 1, 2012 THROUGH OCTOBER 31, 2014**

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Mary Mosiman, CPA  
Auditor of State

## Auditor of State's Report

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

As a result of concerns regarding certain transactions for the Curriculum and Instruction Department (Department) of the University of Northern Iowa (University) College of Education, we have applied certain tests and procedures to selected financial transactions for the period January 1, 2012 through October 31, 2014, unless otherwise specified. Based on a review of relevant information and discussions with University staff, we performed the following procedures:


- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Interviewed University staff to obtain an understanding of financial transactions processed for the Department by Lori Shannon, a Secretary within the Department.
- (3) Obtained and reviewed documentation related to certain collections from University staff members and others for the period January 1, 2012 through March 31, 2015 and compared the documentation to deposits to determine if deposits were made intact and the timeliness of deposits.
- (4) Interviewed Ms. Shannon to obtain an understanding of financial transactions she processed for the Department and to obtain an explanation for the personal checks she deposited with certain collections. We also compared the explanations she provided to other information obtained from independent sources.
- (5) Obtained and reviewed the monthly statements for Ms. Shannon's personal checking and savings accounts and a business checking account to identify the source of certain deposits and to identify checks issued to the Department from the accounts.


These procedures identified \$3,128.37 of undeposited collections. The undeposited collections identified include collections which were not deposited intact, collections which were not deposited at all, and collections which were not deposited in a timely manner. We were unable to determine if additional collections were not properly deposited because sufficient records were not available. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **C** 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 for the University of Northern Iowa College of Education, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Board of Regents' Office of Internal Audit, 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's Department of Public Safety and the College of Education during the course of our investigation.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 30, 2015

Report on Special Investigation of the  
University of Northern Iowa  
College of Education -  
Curriculum and Instruction Department  
Investigative Summary

### **Background Information**

The Department of Curriculum and Instruction (Department) is located within the College of Education at the University of Northern Iowa (University). The Department addresses the needs of elementary education, early childhood education and middle level education majors, and literacy education and instructional technology minors or endorsements. The Department also offers endorsements in education of the gifted and school library studies for practicing teachers, master's degrees in all divisions and a Doctor of Education program.

The Literacy Education Office is a division of the Department and includes a Literacy Education Clinic. At the clinic, University students enrolled in reading tutoring classes provide clients one-to-one remedial tutoring under the supervision of University faculty and graduate assistants. Following the administration of diagnostic and evaluative measures, each client receives an individually designed remedial program.

Lori Shannon began employment at the University on November 16, 1992. Her duties within the Literacy Education Office include maintaining the Literacy Education Library used by the University students enrolled in literacy classes. She is also responsible for processing certain financial transactions for the Literacy Education Office, such as:

- depositing fees remitted to her for the Literacy Clinic with the Office of Business Operations (OBO),
- depositing membership fees remitted to her for the Student Reading Association (SRA) with OBO,
- depositing collections from Scholastic Book Fairs sponsored by SRA with OBO,
- remitting payments, when necessary, for Scholastic Book Fairs, and
- remitting other payments, as appropriate, for the Literacy Education Office.

SRA is a student organization composed of pre-service educators interested in literacy and service-related activities. SRA provides its members with opportunities to hear speakers, attend literacy conferences, and participate in literacy service projects. Students pay an annual membership fee which is typically collected at the initial meeting during the academic year or during a subsequent meeting. Students also remitted payments directly to Ms. Shannon. Fees collected during meetings were remitted to Ms. Shannon by an SRA officer or the faculty advisor.

The SRA faculty advisor reported she took approximately \$300.00 of SRA membership fees to Ms. Shannon in September 2014 for deposit. The fees were in cash and had been collected during a recent SRA meeting. According to the faculty advisor, she asked Ms. Shannon if the SRA membership fees she remitted earlier (approximately \$80.00) had been deposited, to which Ms. Shannon replied they had not. The faculty advisor stated Ms. Shannon told her she still had the membership fees remitted earlier, then showed her approximately \$700.00 cash she had in her desk. According to the faculty advisor, when she asked Ms. Shannon why she had kept the cash in her desk, she responded it was in case she needed it. The faculty advisor also stated when she told Ms. Shannon she couldn't keep the cash in her desk, Ms. Shannon stated she'd write a check, indicating she'd keep the cash on hand and deposit a personal check with OBO in place of the cash.

After the discussion with Ms. Shannon, the faculty advisor informed the Head of the Department of her concerns.

University officials obtained a copy of a \$1,002.00 personal check Ms. Shannon deposited with OBO which was described in the University's accounting system as SRA membership fees. The deposit was recorded on September 17, 2014. A copy of the check is included in **Appendix 1**. As illustrated by the **Appendix**, Ms. Shannon described the check, in part, on the memo line as "SRA Reading Donation 2014." However, the payment was not a donation from Ms. Shannon. In addition, while described in the University's accounting system as SRA membership fees, the entry did not describe who paid the memberships. University officials also identified 2 other checks issued from Ms. Shannon's personal or business checking accounts which were recorded in the University's accounting system and described as donations on the memo line of the checks. Copies of these checks are also included in **Appendix 1**.

As a result of the concerns identified, Ms. Shannon's duties for depositing collections were reassigned to another staff member within the Literacy Education Office. Also as a result of the concerns identified, University officials contacted the Office of Auditor of State and requested a review of the deposits. As a result, we performed the procedures detailed in the Auditor of State's report for the period January 1, 2012 through October 31, 2014.

### **Detailed Findings**

These procedures identified \$3,128.37 of undeposited collections. The undeposited collections identified include collections which were not deposited intact and collections which were not deposited at all. The procedures also identified collections which were not deposited in a timely manner. In addition, the procedures identified \$2,342.00 of checks issued from Ms. Shannon's personal checking accounts or a business checking account established in the name "Shannon Construction" which were deposited in place of undeposited cash collections.

The undeposited collections identified are summarized in **Exhibit A**. It was not possible to determine if additional collections were undeposited during this period or prior to January 1, 2012 because sufficient records were not available for all activity each semester. A detailed explanation of each finding follows.

#### **CHECKS DEPOSITED IN PLACE OF CASH**

As previously stated, University officials identified 3 checks issued from Ms. Shannon's personal or business checking accounts which were recorded as deposits in the University's accounting system and described as donations on the memo line of the checks.

We reviewed the activity recorded in the University's accounting system for the Literacy Clinic, SRA membership fees, and Scholastic book fairs sponsored by SRA and identified 3 additional deposits which were described in the University's accounting system as from Ms. Shannon. Using statements we subpoenaed for Ms. Shannon's personal checking accounts established at certain financial institutions and a checking account established in the name of Shannon Construction, we traced the 3 additional deposits to images of checks issued from the checking accounts. Copies of the 3 additional checks identified are included in **Appendix 2**.

We also reviewed images of certain other checks issued from Ms. Shannon's personal checking accounts and the checking account established in the name of Shannon Construction. We did not identify any additional checks issued to the University during our review. In addition, we reviewed the records which supported certain deposits made to the checking accounts. We did not identify any collections deposited to the checking accounts which should have been deposited with OBO.

Based on testing described in subsequent sections of this report, we determined the 6 checks identified were issued by Ms. Shannon and subsequently deposited with OBO in place of cash collections which were not properly deposited. The 6 checks identified are summarized in **Table 1**.



**Table 1**

<b>Check Date</b>	<b>Check Number</b>	<b>Payee</b>	<b>Amount</b>	<b>Notation on Memo Line</b>
<b><u>Identified by University officials:</u></b>				
09/12/14	1829	SRA	\$ 1,002.00	SC-SRA Reading donation 2014
09/12/14	1830	Lit Ed	295.00	SC Lit Ed Reading donation 2014
10/04/13	8500	UNI Literacy	345.00	Donation
<b><u>Identified by Office of Auditor of State</u></b>				
10/09/13	8502	SRA	160.00	Reading Donation
09/12/12	8226	SRA	490.00	Donation
09/12/12	1712	UNI Reading Clinic	50.00	Material Fees
Total			<u>\$ 2,342.00</u>	

As illustrated by **Appendices 1** and **2**, 3 of the 6 checks listed in **Table 1** were issued from Ms. Shannon's personal checking account and 3 were issued from a checking account established in the name "Shannon Construction."

As illustrated by **Table 1** and images of the checks in **Appendices 1** and **2**, notations on the memo line for 5 of the 6 checks indicate the payments were donations to SRA or the Literacy Reading Clinic. As previously stated, the SRA faculty advisor reported she learned in September 2014 Ms. Shannon had not deposited SRA membership fees and had approximately \$700.00 cash in her desk which should have previously been deposited. The faculty advisor also stated when she told Ms. Shannon she couldn't keep the cash in her desk, Ms. Shannon stated she'd write a check, indicating she'd keep the cash on hand and deposit a personal check with OBO in place of the cash. The faculty advisor also reported Ms. Shannon stated at that time she'd prepare the check as if it were a donation.

The faculty advisor stated when she questioned Ms. Shannon about her statement, Ms. Shannon clarified she intended for the check to appear as if it were a donation for tax purposes. The faculty advisor stated she pointed out to Ms. Shannon the check was not a donation and Ms. Shannon was not giving any extra money to the University or the SRA organization. She stated Ms. Shannon then referred to running a small business and indicated the payment could be taken as a deduction for tax purposes. She also stated she "had always done it that way." The faculty advisor stated she instructed Ms. Shannon she could not continue doing that.

As a result of the discussion with the faculty advisor, Ms. Shannon prepared check number 1829 for \$1,002.00 from her personal checking account. Based on the information from the faculty advisor, it appears the check is composed of the SRA membership fees the faculty advisor brought to Ms. Shannon for deposit and the cash she had kept in her desk.

We spoke with Ms. Shannon in March 2015 regarding her duties in the Literacy Education Office and how she handled financial transactions for the Office. When we spoke with Ms. Shannon, she stated she deposited collections with OBO within 1 business day of receiving them. However, when we asked about the \$1,002.00 check deposited with OBO in September 2014, she stated it was deposited in place of cash proceeds from a Scholastic book fair held during the Spring 2014 semester. When asked if she had kept the cash from the time of the book fair in the spring until the check was written in September 2014, she stated she had kept the cash in her desk through the summer and admitted she did not always make deposits within a business day as she had earlier stated. She also explained she often had students transport deposits across campus to OBO and she was not comfortable sending significant amounts of cash with students. As a result, she often sent checks she issued from her personal checking accounts in place of cash. Ms. Shannon did not state the \$1,002.00 check included any of the SRA membership fees she received from the faculty advisor just before preparing the check.

When asked what the SC on the memo line of check number 1829 meant, she stated that was a notation for herself which indicated “Shannon Construction,” her husband’s business. She also stated she performed the record-keeping for his business and this was her way to notate the check was a business expense for the construction company. She also stated she had taken the \$1,002.00 cash she had on hand in September 2014 and split it equally between her husband and his brother as a distribution from the construction company. As a result, the \$1,002.00 of cash was not deposited to her personal checking account or the Shannon Construction checking account. However, Ms. Shannon did not provide an explanation of why the check was also described as a donation on the memo line.

Check number 1830 listed in **Table 1** was also issued from Ms. Shannon’s personal checking account on September 12, 2014. The notation on the check also includes “SC” on the memo line. When asked why check numbers 1829 and 1830 were issued from her personal checking account rather than the checking account established in the name of Shannon Construction, she explained there had been financial problems with the construction company’s finances and they were not using the business’ checking account at the time the checks were written. She stated, as a result, she issued the checks from her personal checking account and it was necessary for her to identify the checks as an expense of the construction company.

Of the checks listed in **Table 1** which include “donation” on the memo line, 3 were issued from the Shannon Construction business checking account. The remaining 2 checks which include “donation” on the memo line also include the notation “SC,” which, according to Ms. Shannon, indicated the checks were a business expense of Shannon Construction even though they were issued from a personal checking account. The “donation” notation on these 5 checks implies Ms. Shannon intended the checks to appear as if they were donations Shannon Construction made to the Literacy program or SRA. This is consistent with the explanation Ms. Shannon provided to the SRA faculty advisor in September 2014 for check number 1829. While this can have significance for Shannon Construction’s tax returns, this aspect of these payments is not addressed in this report. A copy of this report has been filed with the Iowa Department of Revenue and the Internal Revenue Service to ensure this issue is appropriately addressed.

Each check listed in **Table 1** is included in the findings discussed in subsequent sections of this report.

## **UNDEPOSITED COLLECTIONS**

**SRA Membership Fees** – As previously stated, students who participate in SRA are to pay an annual membership fee. The \$10.00 annual fee per student is typically collected during one of the first SRA meetings held during the academic year. Students also remitted payments directly to Ms. Shannon. Fees collected during meetings were remitted to Ms. Shannon by an SRA officer or the faculty advisor. Ms. Shannon was responsible for preparing the appropriate accounting documents for the fees and ensuring the documents and collections were deposited with OBO.

The faculty advisor for SRA maintained spreadsheets for the 2013/14 and 2014/15 academic years which listed the students who had paid dues and the date of their payments. However, similar information was not available for academic years prior to 2013/14. In addition, the fund within the University’s accounting system used to record SRA activity was opened on June 21, 2012. Based on a notation in the University’s accounting system, the activity was previously held in a non-University bank account.

Using the spreadsheets obtained from the faculty advisor, we identified SRA fees collected from students which were not deposited with OBO. We also determined some of the undeposited fees were later partially offset by checks issued by Ms. Shannon from a personal checking account or the Shannon Construction checking account. In addition, we determined some collections for these years were not deposited in a timely manner. **Table 2** summarizes the fees collected from students and the amounts deposited with OBO.

**Table 2**

<b>Collected</b>		<b>Deposited with OBO</b>		<b>Net Undeposited Collections</b>
<b>Date Collected</b>	<b>Amount</b>	<b>Date Recorded</b>	<b>Amount</b>	
<b><u>Academic year 2013/14</u></b>				
09/09/13	\$ 170.00	10/08/13	\$ 50.00	
10/07/13 <sup>^</sup>	140.00	11/06/13	230.00	
Subtotal	310.00		280.00	30.00
11/04/13	20.00			
02/10/14	80.00			
02/24/14	10.00			
Subtotal	110.00	4/10/14	20.00	90.00
Total for 2013/14	\$ 420.00		\$ 300.00	120.00
<b><u>Academic year 2014/15</u></b>				
09/09/14	\$ 380.00	09/17/14	\$ 380.00	-
10/07/14	140.00	10/09/14	140.00	-
11/04/14	10.00			
01/21/15	10.00			
02/04/15	70.00			
Subtotal	90.00	02/13/15	90.00	-
02/21/15	10.00		-	10.00
Total for 2014/15	\$ 620.00		\$ 610.00	10.00
Total	\$ 1,040.00		\$ 910.00*	130.00

<sup>^</sup> - Amount collected includes \$20.00 included in the University's accounting system for 2 students not included on the faculty advisor's listing.

\* - This amount includes \$430.00 of checks from Lori Shannon.

The **Table** illustrates \$230.00 was deposited with OBO on November 6, 2013. However, \$160.00 of that amount was from check number 8502 issued by Ms. Shannon listed in **Table 1**. The \$230.00 deposit was approximately 2 months after the fees were initially collected from the students and 1 month after the second group of fees were collected. As a result, the fees which were deposited were not deposited in a timely manner. University policy requires collections to be deposited in a timely manner. Specifically, daily deposits are required if collections exceed \$250.00, but all collections must be deposited at least weekly.

The September 17, 2014 deposit listed in **Table 2** includes \$270.00 which is a portion of check number 1829 listed in **Table 1**. As previously stated, the faculty advisor stated she remitted approximately \$300.00 of SRA membership fees in cash to Ms. Shannon in September 2014 for deposit. The day she remitted the fees to Ms. Shannon was the day she learned Ms. Shannon had retained previous cash collections in her desk. It was also the day Ms. Shannon prepared check number 1829 for \$1,002.00. However, the listing of students who paid SRA fees shows only 27 students remitted their \$10.00 fees at the September 9, 2014 meeting. As a result, only \$270.00 of the \$1,002.00 has been included in this calculation. The remaining \$732.00 is addressed in a subsequent section of this report.

As previously stated, the faculty advisor was unable to provide any documentation of the amount of fees collected in academic years prior to 2013/14. She did not hold the faculty advisor position

prior to the 2013/14 academic year. However, we were able to review information in the University’s accounting system for the 2012/13 academic year. Based on information in the University’s accounting system, the annual membership fee that year was \$20.00 per student.

By reviewing the University’s accounting system, we also identified a \$490.00 check Ms. Shannon issued to SRA on September 12, 2012. The check was recorded as a deposit to the SRA account in the University’s accounting system on September 13, 2012 with a number of \$20.00 payments from students. The \$490.00 deposit from Ms. Shannon was described as “membership” as were all other amounts deposited that day. Because a listing of students who paid membership fees in 2012/13 is not available, we are unable to determine if there were any undeposited SRA membership fees for that year. However, we determined Ms. Shannon replaced all or a portion of the collections with a personal check. We were unable to determine if the deposit was made in a timely manner.

**Table 3** summarizes the SRA membership fee collections for 3 academic years. The amount listed in the **Table** for academic year 2012/13 is based on the amount recorded in the University’s accounting system and the amount of the check deposited by Ms. Shannon. Additional membership fees may have been collected, but we are unable to determine what amount, if any, that would have been.

**Table 3**

<b>SRA Membership Fees</b>					
<b>Academic Year</b>	<b>Amount Collected</b>	<b>Amount Deposited with OBO<sup>^</sup></b>	<b>Undeposited Collections</b>	<b>Payments by Lori Shannon</b>	<b>Net Undeposited Collections</b>
2012/13	\$ 1,140.00	650.00	490.00	490.00	-
2013/14	420.00	140.00	280.00	160.00	120.00
2014/15	620.00	340.00	280.00	270.00	10.00
Total	\$ 2,180.00	1,130.00	1,050.00	920.00	130.00

<sup>^</sup> - Net of payments from Ms. Shannon.

During our review of the SRA membership fees deposited with OBO, we determined \$50.00 of the \$170.00 of membership fees collected on September 9, 2013 was deposited on October 8, 2013 and \$20.00 was deposited on November 6, 2013. There does not appear to be a reason the entire \$170.00 was not deposited on October 8, 2013. We also determined the \$20.00 deposited on April 10, 2014 was composed of amounts collected from students on February 10, 2014. We are unable to determine why the remaining \$60.00 collected on February 10, 2014 was not deposited intact with other collections on April 10, 2014 or why it took 2 months for the \$20.00 to be deposited with OBO.

As stated previously, University policy requires collections to be deposited in a timely manner. In addition, training provided to University employees handling cash instructs employees to deposit all collections intact.

The \$1,050.00 of undeposited SRA membership fees collected and the \$920.00 of payments by Ms. Shannon deposited in their place are included in **Exhibit A**.

**Literacy Clinic** – As previously stated, University students enrolled in reading tutoring classes provide clients one-on-one remedial tutoring under the supervision of University faculty and graduate assistants. Most semesters (fall, spring and summer) literacy clinics are held at 1 or 2 selected elementary and/or middle schools in the Cedar Valley area. A \$35.00 tuition fee is assessed to each elementary or middle school student. According to the Literacy Clinic Director, some families cannot pay the fee. However, the school at which the clinic is held will often issue a check to the University for the families which are unable to pay.

University students who tutor for the literacy clinics are typically assessed a \$5.00 materials fee each semester they participate. However, the fee was not needed or assessed for the Spring 2011, Fall 2014, and Spring 2015 semesters.

The Literacy Clinic Director provided us with the names and/or number of elementary, middle school, and University students participating in the Literacy Clinic for most semesters from Fall 2012 through Spring 2015. For the semesters for which information was available, we were able to match the information provided to deposits recorded for the Literacy Clinic in the University's accounting system to determine the amount of expected collections which were not deposited.

The number of participants, expected collections, and the subsequent deposits are summarized by semester in **Exhibit B**. The Literacy Clinic Director was not able to provide us similar information for the middle school students who participated in the Spring of 2013. However, we identified an additional 30 deposits of \$35.00 in May 2013 which appears reasonable for the tuition charged to the families of the middle school students that semester. Information was also not available for the Summer 2013 semester. However, a total of \$1,300.00 was deposited during June and July 2013, which appears reasonable for the tuition charged to the families and membership fees from the University students for that semester.

The amounts illustrated in **Exhibit B** as deposited include checks from the schools or school districts at which Literacy Clinics were held. As a result, the University should have been fully compensated for all students participating in the Literacy Clinics, even for the students whose families could not pay the fee.

As illustrated by the **Exhibit**, Ms. Shannon deposited personal checks with the fees collected for the Fall 2012, Fall 2013, and Summer 2014 semesters. These checks are also included in **Table 1**. As previously stated, Ms. Shannon stated she substituted personal checks for the cash she collected because she didn't want to send cash across campus with a student to OBO for deposit. Instead, she kept the cash and sent a personal check. However, this does not explain why there would be a shortage of \$365.00 and \$145.00 for the Fall 2012 and Fall 2013 semesters. In addition, it does not explain the \$75.00 excess deposited for the Summer 2014 semester. The **Exhibit** also illustrates we identified \$240.00 of undeposited collections for the Spring 2014 semester and there was not a check from Ms. Shannon for that semester.

During our review of the deposits for the Literacy Clinic fees, we determined most of the fees for the Summer 2014 semester were deposited in June 2014. However, the \$295.00 check from Ms. Shannon for that semester was not deposited until September 17, 2014. As illustrated by the copy of the check included in **Appendix 1**, the check was dated September 12, 2014 and the check number sequentially follows the \$1,002.00 check Ms. Shannon issued to SRA after the faculty advisor confronted Ms. Shannon about having cash in her drawer.

As stated previously, University policy requires collections to be deposited in a timely manner. In addition, training provided to University employees handling cash instructs employees to deposit all collections intact.

We also determined the fees for the Fall 2014 semester were deposited in October 2014. The amounts deposited agreed with the expected amount. The deposits were also made intact and after Ms. Shannon's responsibilities related to deposits were reassigned.

The \$1,350.00 of undeposited Literacy Clinic fees collected and the \$690.00 of payments Ms. Shannon deposited in their place are included in **Exhibit A**.

**Scholastic Book Fairs** – SRA typically holds Scholastic book fairs in the Fall and Spring semesters. Collections from book fair sales are in the form of cash, check, credit card, or debit card payments. Cash and check payments are collected by SRA and were remitted to Ms. Shannon for deposit with OBO. Credit and debit card payments are electronically sent

directly to Scholastic when the sale is made. Scholastic later sends invoices to show the total sales amount for each book fair and the net proceeds earned by SRA.

The invoices also break out the sales amounts between cash/checks and credit/debit card payments. Depending on the net proceeds earned by SRA and the breakdown of collections between the amount SRA collected and the amount electronically remitted to Scholastic, SRA may owe Scholastic or Scholastic may owe SRA. All cash and checks from sales, as well as payments subsequently received from Scholastic to “settle up” are to be deposited with OBO and recorded in the University’s accounting system.

We obtained invoices from Scholastic for book fairs sponsored by SRA during 2012, 2013, and 2014. A representative from Scholastic confirmed a book sale was not held during the Fall 2013 semester, but 2 book fairs were held during the Spring 2013 semester.

**Exhibit C** summarizes the amount that should have been deposited with OBO for the SRA book fairs held from the Fall 2012 semester through the Fall 2014 semester, the total deposited and the undeposited collections. As illustrated by the **Exhibit**, \$74.05 more than expected was deposited for the April 2013 book fair. We are unable to determine why more than expected would be deposited. It is possible a \$75.00 change fund had been used for the book sale and deposited with the proceeds. However, we were unable to identify any withdrawals from the SRA account which would have been used as a change fund. When we asked Ms. Shannon about change used for the book fairs, she stated she typically used \$50.00 of her own cash for change.

As previously stated, Ms. Shannon deposited check number 1829 for \$1,002.00 with OBO on September 17, 2014, which included \$270.00 of SRA membership fees. When we spoke with Ms. Shannon, she stated the \$1,002.00 check was proceeds from the Spring 2014 book fair. However, as illustrated by **Exhibit C**, the undeposited collections from the Spring 2014 book fair totaled only \$365.95. As a result, it appears the remaining \$732.00 portion of check number 1829 was not composed of only the Spring 2014 book fair proceeds as stated by Ms. Shannon. However, when combined with the undeposited collections from the Spring 2013 book fair, the undeposited collections total \$796.92. It appears the cash Ms. Shannon held in her desk drawer in September 2014 may have also have included the proceeds from the Spring 2013 book fair. As stated previously, University policy requires collections to be deposited in a timely manner.

During our review of the book fair information, we also determined deposits of proceeds were not always made in a timely manner. The sale dates and the deposit dates of the 2 book fairs held in the Spring 2013 semester are summarized in **Table 5**.

<b>Sale End Date</b>	<b>Deposit Date</b>
02/08/13	03/07/13
04/19/13	05/30/13

The \$728.37 of undeposited collections summarized in **Exhibit C** are included in **Exhibit A**. In addition, the \$732.00 portion of the \$1,002.00 check deposited with OBO by Ms. Shannon is included in **Exhibit A** as a payment by Ms. Shannon.

## **Recommended Control Procedures**

As part of our investigation, we reviewed the procedures for processing transactions associated with the Literacy Office, including transactions for the Student Reading Association, which is a student organization. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss from error and 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 University's internal controls.

- A. Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual was responsible for the collection and deposit of proceeds for SRA membership fees, Literacy Clinic collections, and proceeds from book fairs sponsored by SRA.

Recommendation – When funds are collected, the duties of collecting, preparing, and depositing the collections should be segregated among one or more designated individuals. Sufficient records, such as initial receipt listings and related reconciliations, should be prepared and maintained and compared to deposits recorded in the University's accounting system.

Members of student organizations and faculty advisors should also periodically obtain copies of financial transactions recorded in the University's accounting system for the student organization and review the transactions for completeness and propriety.

- B. Deposit Policies – The University has established deposit policies and cash handling controls. Specifically, the policies require:

- There should be segregation of cash handling duties.
- Collections should be accounted for or recorded as they are received.
- Checks must be restrictively endorsed upon receipt.
- Departments are responsible to exercise reasonable care in screening cash transactions for counterfeit currency.
- All collections must be balanced on a daily basis to initial listings.
- Funds must be secured until deposited.
- Deposits must be made in a timely manner. Daily deposits are required for collections exceeding \$250.00, but all deposits must be made at least weekly.
- Departments are responsible for reconciling accounts on a monthly basis.

In addition, training provided to University employees handling cash instructs employees to deposit all collections intact.

Based on our testing and observations, we determined Ms. Shannon did not account for or record collections as they were received and, as a result, collections could not be balanced on a daily basis to an initial listing of collections. In addition, we identified a number of instances where collections were not deposited in a timely manner and/or were not deposited intact.

Recommendation – University officials should implement procedures to ensure all Departments are complying with the University's deposit policies and cash handling controls. In addition, University officials should consider the need to periodically perform unannounced spot checks of compliance with established policies and controls.

## **Exhibits**



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Summary of Findings  
 For the Period January 1, 2012 through October 31, 2014

<b>Description</b>	<b>Exhibit/ Table/Page</b>	<b>Amount</b>
Undeposited collections:		
SRA membership fees	<b>Table 3</b>	\$ 1,050.00
Literacy Clinic	<b>Exhibit B</b>	1,350.00
Scholastic book fairs	<b>Exhibit C</b>	<u>728.37</u>
Total undeposited collections		\$ 3,128.37
Less: Payments by Lori Shannon		
SRA membership fees	<b>Table 3</b>	(920.00)
Literacy Clinic	<b>Exhibit B</b>	(690.00)
Scholastic book fairs	<b>Page 12</b>	<u>(732.00) (2,342.00)</u>
Net amount		<u>\$ 786.37</u>

**Exhibit B**

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Undeposited Collections from Literacy Clinic  
For the Period January 1, 2012 through October 31, 2014

<b>Semester</b>	<b>Expected Collections</b>	<b>Amount Deposited*</b>	<b>Undeposited Collections</b>	<b>Payments by Lori Shannon</b>	<b>Net Undeposited (Excess) Collections</b>
Fall 2012	\$ 1,045.00	630.00	415.00	50.00	365.00
Spring 2013	980.00	995.00	(15.00)	-	(15.00)
Fall 2013	1,240.00	750.00	490.00	345.00	145.00
Spring 2014	960.00	720.00	240.00	-	240.00
Summer 2014	1,320.00	1,100.00	220.00	295.00	(75.00)
Fall 2014	1,295.00	1,295.00	-	-	-
Spring 2015	1,225.00	1,225.00	-	-	-
Net total	\$ 8,065.00	6,715.00	1,350.00	690.00	660.00

\* - Excluding checks issued by Lori Shannon from her personal checking accounts.

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Undeposited Collections from Book Fairs  
 For the Period January 1, 2012 through October 31, 2014

<b>Dates of Book Fair</b>	<b>Net Proceeds</b>	<b>Cash and Checks Collected at Book Fairs</b>	<b>Amount due from (to) Scholastic</b>	<b>Total Amount to be Deposited</b>	<b>Total Deposits</b>	<b>Undeposited (Excess) Collections</b>
09/26/12 - 10/04/12	\$ 570.89	450.81	120.08	570.89	570.89	-
02/04/13 - 02/08/13	-	^ 476.43	(476.43) #	476.43	45.46	430.97
04/16/13 - 04/19/13	-	@ 550.24	(550.24) #	550.24	624.29	(74.05)
04/07/14 - 04/11/14	508.17	446.86	61.31	508.17	142.22	365.95
09/29/14 - 10/03/14	584.33	575.15	9.18	584.33	578.83	5.50
<b>Total</b>	<b>\$ 1,663.39</b>	<b>2,499.49</b>	<b>(836.10)</b>	<b>2,690.06</b>	<b>1,961.69</b>	<b>728.37</b>

^ - Per Scholastic invoice, SRA elected to receive 50% of book sales in Scholastic Dollars in lieu of receiving a cash payment.

@ - Per Scholastic representative, this was a BOGO fair and SRA did not earn any profits. Bonus amounts in Scholastic Dollars were earned for the event.

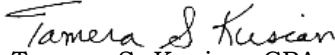
# - Payments to Scholastic were made with a check issued by the University, not from sale proceeds.

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Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director

  
Tamera S. Kusian, CPA  
Deputy Auditor of State

## **Appendices**

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Copies of Checks Identified by University Officials

**LORI K. SHANNON**  
**MICHAEL D. SHANNON**  
PH. [REDACTED]

1829  
72-7284/2736

9-12-14 Date

Pay to the Order of: SIA \$ 1000.00

one thousand ten dollars & 00/100 Dollars

**UNI** 802 West 29th Street  
Cedar Falls, Iowa 50613

For: SC SIA Reading donation 2014-1 Lori Shannon MP

1829

**LORI K. SHANNON**  
**MICHAEL D. SHANNON**  
PH. [REDACTED]

1830  
72-7284/2736

9-12-14 Date

Pay to the Order of: Lited \$ 295.00

two hundred ninety five & 00/100 Dollars

**UNI** 802 West 29th Street  
Cedar Falls, Iowa 50613

For: SC Lited Reading donation 2014 Lori Shannon MP

1830

**CUBS** SHANNON CONSTRUCTION LLC [REDACTED]

8500  
72-7636/2736

10/4/13 Date

Pay to the Order of: UNI Literacy \$ 345.00

three hundred forty five & 00/100 Dollars

VERIDIAN CREDIT UNION  
WATERLOO, IA 50704

**CUBS**

For: donation Lori Shannon MP

8500

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Copies of Additional Checks Issued By Lori Shannon

UBS SHANNON CONSTRUCTION LLC 8502 72-7636/2739  
Date 10-9-13  
Pay to the Order of SRA \$160.00  
one hundred sixty & no/100 Dollars  
VERIDIAN CREDIT UNION WATERLOO, IA 50704 CHICAGO  
For Reading Center Michael D. Shannon  
8502

UBS SHANNON CONSTRUCTION LLC 8226 72-7636/2739 14  
Date 9/12/12  
Pay to the order of SRA \$490  
Four hundred ninety and no/100 Dollars  
VERIDIAN CREDIT UNION WATERLOO, IA 50704  
For Position Michael D. Shannon  
8226

LORI K. SHANNON MICHAEL D. SHANNON 1712 72-7284/2739  
Date 9-12-12  
Pay to the Order of UNI Reading Clinic \$50.00  
fifty & no/100 Dollars  
UNI 802 West 29th Street Cedar Falls, Iowa 50613  
For material fees Lori Shannon  
1712