

**Forensic Investigation of the
West Chester University Poetry Center
and Conference**

June 3, 2016



Candor. Insight. Results.

FORENSIC, LITIGATION & VALUATION SERVICES

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June 3, 2016

Dr. Christopher M. Fiorentino
Interim President
West Chester University of Pennsylvania
700 South High Street
West Chester, PA 19383

RE: Investigation of the West Chester University's Poetry Center and Poetry
Conference

Dear Dr. Fiorentino:

Baker Tilly Virchow Krause, LLP ("Baker Tilly") was engaged by West Chester University ("WCU") to perform a forensic investigation to determine whether the funds related to the WCU Poetry Center ("Poetry Center") and the annual WCU Poetry Conference ("Poetry Conference") it operates were appropriately recorded and utilized by the Poetry Center. We collected and analyzed the supporting documentation provided as part of our investigation procedures. We also worked with the West Chester University Foundation ("WCUF") to verify whether WCUF's Poetry Center funds were appropriately recorded and utilized as part of the Poetry Center's operations. We completed our investigation and documented our forensic process in a detailed presentation of our findings. We have included examples of the supporting documentation maintained by WCU and WCUF related to the Poetry Center and Poetry Conference.

Our investigation period covered the Poetry Center's financial activity during the fiscal years ending June 30, 2010 through June 30, 2014 and the financial activity for the six months ending on December 31, 2014 (the "Period"). Our investigation of the Poetry Center's operations focused on analyzing whether the sources of funds received during the Period for the Poetry Center and the Poetry Conferences were recorded appropriately to the Poetry Center's financial records. In addition, our forensic process included selecting revenue and expenditure transactions recorded in the general ledger activity at WCU and WCUF related to the Poetry Center's operations to determine whether the recorded activity could be verified and was appropriately maintained.

Our revenue and expenditure transactional testing was designed to identify whether instances of inappropriate and/or unauthorized activity existed in the records. In addition, a natural byproduct of our investigative procedures was the identification of areas in which the Poetry Center, WCU and/or WCUF's financial operations could benefit, particularly through improving the retention of supporting documentation to justify the appropriateness of the transactional activity and/or employing stronger internal control policies and procedures to minimize the opportunity and exposure to inappropriate and/or unauthorized activity.

Our investigative procedures of the Poetry Center's operations identified two additional areas which we tested. The first was the financial activity surrounding Story Line Press ("SLP") and second was the Women's Leadership Summit. Finally, we also investigated one additional transaction that was outside the Poetry Center's general ledger activity. This transaction related to a \$30,000 grant provided by WCU's Dean of the College of Arts and Science to provide additional funding support to the Poetry Center operations during 2012.

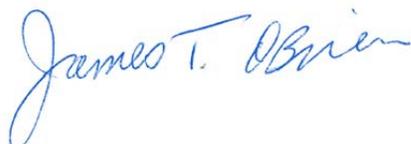
Dr. Christopher M. Fiorentino
June 3, 2016
Page 3

Based on our testing and the supporting documentation provided, no inappropriate activity was identified during the Period at the Poetry Center. We did, however, identify a lack of accountability of the Poetry Center revenue and expenditure activity. In addition, we also determined that the Poetry Center failed to maintain appropriate supporting records for its operation of the Poetry Conference and lacked appropriate evidence of financial accountability.

Specifically, we were unable to obtain Poetry Conference registration records which prevented our ability to determine whether the participant registration revenue collected for the Poetry Conferences were complete and accurately reflected the financial activity of the Poetry Center. Further, we documented an overlapping responsibility of collecting conference participant registration fees between the WCU and WCUF, which also presented accountability issues and created potential exposure to fraud risks. We recommended the process of collecting Poetry Conference participant registration fees be centralized at the Office of Conference Services to ensure the Poetry Center receives proper oversight and there is the appropriate level of accountability for the Poetry Conference.

Overall, our findings are summarized in our detailed presentation, including examples of the supporting documentation that we received during our investigation. If you have any questions or need any additional information, please do not hesitate to contact me at 215-972-2338.

Sincerely,



James T. O'Brien

Summary of Baker Tilly's Forensic Investigation of the West Chester University Poetry Center and Conference

June 3, 2016



Agenda



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- I. Background
- II. Key Focus Areas and Objectives
- III. Summary of Observations Findings
- IV. Analysis of Transactional Activity – Observations, Risks and Recommendations
- V. Poetry Center Transactions between WCU and WCUF
- VI. Analysis of Storyline Press
- VII. Analysis of the Women’s Leadership Summit
- VIII. Grant from CAS to the Poetry Center
- IX. Revenue and Expenditure Analytics

Acknowledgment



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- > Cooperation and assistance we received from both West Chester University (“WCU”) and West Chester University Foundation (“WCUF”):
 - Ms. Bernadette Hinkle and the WCU team;
 - Ms. Teresa John and the WCUF team; and
 - Dr. Mark Pavlovich – Interview.
- > We did attempt to Interview Dr. Kim Bridgford (“Dr. Bridgford”) and were unsuccessful.

I. Background



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> **WCU**

- WCU’s College of Arts and Sciences (“CAS”) supports seven different centers and institutes, including the WCU Poetry Center (the “Poetry Center”).*
- The Poetry Center administers a variety of awards and coordinates numerous activities and programs, including the WCU Poetry Conference (the “Poetry Conference”).
- Our forensic investigation focused on the financial activity of the Poetry Center and the Poetry Conference. Specifically, our investigation focused on the 13 funds maintained by the Poetry Center within WCU to determine whether WCU appropriately records the financial activity of the Poetry Center and Poetry Conference.

*http://www.wcupa.edu/_academics/sch_cas/centersInstitutes.aspx

I. Background



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> **WCU**

- The following 13 funds were used by the Poetry Center to record the financial activity related to the Poetry Center and the Poetry Conference:*

- > Ahmanson Poetry Conference (7533082124)
- > Aralia Press Restricted (7533012124)
- > D Justice Poetry Award (7533112124)
- > Iris Spencer Poet Aw (7533102124)
- > Myong Cha Son Haiku Award (7533122124)
- > Open World (7535022124)
- > Poetry Center (7533042124)
- > Poetry Center Endow (7552032124)
- > Poetry Conference 10th Ann (7533072124)
- > Poetry Conference Gifts (7533062124)
- > Poetry Conference - SS (7517127005)
- > Poet's Prize (7533092124)
- > Story Line Press (7533132124)

I. Background



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> **WCUF**

- WCUF “supports the goals of WCU through fundraising activities, the management of donated resources, and the promotion of WCU needs to prospective contributors.”*
- WCUF is responsible, among other things, for accepting donations and other funding for the Poetry Center and the Poetry Conference.
- Our forensic investigation focused on WCUF’s financial activity related to the Poetry Center and the Poetry Conference. Specifically, our investigation focused on the 11 funds maintained by WCUF to determine whether WCUF appropriately records the financial activity for the benefit of the Poetry Center and Poetry Conference.

*<http://www.wcufoundation.org/page.aspx?pid=283>

I. Background



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> **WCUF**

- WCUF maintains the following 11 funds to record the financial activity related to the Poetry Center and the Poetry Conference:*
 - > Iris N. Spencer Poetry Awards (2124-950)
 - > Michael Piech Scholarship (2124-652)
 - > Michael Piech Scholarship (2124-652FN)
 - > Myong Cha Son Award for Haiku (2124-951)
 - > Poetry Center Operating (2124-952)
 - > Poetry Center Operating Fund (2124-902)
 - > Poetry Center Operating Fund (2124-902FN)
 - > Poetry Conference (2124-903)
 - > Poetry Conference (2124-903FN)
 - > Poetry Conference Attendee Expenses (2124-906)
 - > The Rhina P. Espaillat Poetry Prize Scholarship (2124-653)
- At our request, WCUF also provided the general ledger activity of the Story Line Press fund maintained at WCUF during the Period.

* These Fund names and numbers are sourced directly from the general ledger activity related to the Poetry Center and Poetry Conference provided to us by the WCUF.

I. Background



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> ***The Poetry Center***

- The Poetry Center was established in 2000 to further the study and appreciation of poetry.*

> ***The Poetry Conference***

- The Poetry Conference has been held annually since 1995 until it was cancelled in 2015. The Poetry Conference is scheduled to be held again by the Poetry Center in June 2016.

> ***Poetry Center Management***

- Dr. Bridgford was the Poetry Center Director from 2010 until she was re-assigned in September 2014.
- Mr. R.S. Gwynn is currently the Director of the Poetry Center.**
- Ms. Jamie Smith (“Ms. Smith”) was the Associate Director of the Poetry Center from 2006 until she was re-assigned in September 2014.

*http://www.wcupa.edu/_academics/sch_cas/poetry/.

**<https://www.wcupa.edu/pr/2015/10.11WCUPoetry.asp>.

II. Key Focus Areas and Objectives



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> **Period**

- Our forensic investigation covered fiscal years **2009-2010** through **2013-2014**, and the six months ended December 31, 2014 (the "Period").

> **Key Focus Areas**

- Review and analyze the sources and uses of funds related to:
 - > The Poetry Center operations, including transactions related to the Poetry Conference, maintained by WCU; and
 - > The Poetry Center and the Poetry Conference funds maintained by WCUF.
- Analyze transactional activity to understand the flow of funds between WCU and WCUF related to the Poetry Center and the Poetry Conference and determine the appropriateness of the transactional activity.

II. Key Focus Areas and Objectives



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> **Objectives**

- Identify whether any inappropriate activity occurred.
- Determine whether any WCU and/or WCUF policy and procedures were violated by the Poetry Center operations.
- Provide recommendations for improving policy and procedures and internal controls surrounding the Poetry Center and the Poetry Conference.

III. Summary of Observations and Findings – WCU’s Financial Activity



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Summary of the Poetry Center’s Total Revenues and Expenditures by Fiscal Year

Fiscal Year	Revenue		Operating Expenditures		Total	
	Number of Transactions	Total Amount	Number of Transactions	Total Amount	Number of Transactions	Net Amount
2009-10	68	\$129,021	200	\$153,691	268	\$(24,670)
2010-11	37	74,892	216	150,217	253	(75,325)
2011-12	52	123,285	265	114,699	317	8,587
2012-13*	56	178,935	363	160,882	419	18,053
2013-14	112	179,666	328	170,338	440	9,327
2014-15 **	8	59,297	47	21,523	55	37,774
Grand Total	333	\$745,096	1,419	\$771,350	1,752	\$(26,254)

* It is our understanding that the revenue recorded in fiscal year 2012-13 is affected by a \$30,000 one time grant provided by the Dean of the College of Arts on Sciences to the Poetry Center. Refer to Section VIII for the analysis.

** The fiscal year 2014 – 2015 values only include data through December 31, 2014 (6 months of data).

III. Summary of Observations and Findings – WCUF’s Financial Activity



Candor. Insight. Results.

Summary of WCUF’s Total Transactions Related to the Poetry Center and Poetry Conference by Fiscal Year

Fiscal Year	Cash Inflows		Cash Outflows		Total	
	Number of Transactions	Total Amount	Number of Transactions	Total Amount	Number of Transactions	Net Amount
2009-10	17	\$29,164	17	\$22,397	34	\$6,767
2010-11	54	124,282	64	157,695	118	(33,413)
2011-12	108	163,129	123	175,502	231	(12,373)
2012-13	145	78,050	115	72,622	260	5,428
2013-14	96	38,684	92	16,727	188	21,957
2014-15*	8	18,628	10	21,628	18	(3,000)
Grand Total	428	\$451,937	421	\$466,571	849	\$(14,634)

*The fiscal year 2014 – 2015 values only include data through December 31, 2014 (6 months of data).

III. Summary of Observations and Findings



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- > We **did not** identify any instances of fraud or misappropriation of funds by WCU or WCUF, related to the Poetry Center and the Poetry Conference operations.
- > We **did** identify:
 - Lack of accountability of the Poetry Center revenue and expenditures.
 - Lack of supporting detail for Poetry Conference revenues and expenditures.
- > Overall, it was challenging to support and/or conclude on the appropriateness of the activity at the Poetry Center and Poetry Conference because of the limited documentation.

III. Summary of Observations and Findings



Candor. Insight. Results.

- > Registration records and attendee lists for the Poetry Conference and other Poetry Center events were not made available.
- > Documentation to support the accuracy and completeness of revenue received was limited because of the lack of Poetry Conference registration records.
- > Support for expenses did not always include requests for payment documentation or evidence of approval.
- > Documentation to support the nature, purpose and appropriateness of fund transfers related to the Poetry Center and Poetry Conference were also not maintained or made available to us.

IV. Analysis of Transactional Activity – Baker Tilly Procedures



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- > Obtained the general ledger activity during the Period for both WCU and WCUF related to the Poetry Center and Poetry Conference.
- > Analyzed financial activity and selected transactions to test based on:
 - Dollar amount of the transaction;
 - Description included in the general ledger activity; and
 - Fund Center to which the transaction was recorded.
- > Obtained supporting documentation for each selection.
- > Analyzed the documentation to determine and verify the following:
 - The financial activity was accurately recorded to the general ledger, i.e., that amounts and dates per our transactional selections reconciled to the supporting documentation.
 - The nature of the transaction was appropriate.
 - The expenditure was appropriately approved by authorized individuals.
 - The transactions included substantiation that justified the activity (e.g. an invoice, payment request form, copy of cancelled check, record of donor's intent, etc.).

IV. Analysis of Transactional Activity – WCU’s Financial Activity



Candor. Insight. Results.

Summary of the Poetry Center’s Total Revenues and Expenditures by Fiscal Year

Fiscal Year	Revenue		Operating Expenditures		Total	
	Number of Transactions	Total Amount	Number of Transactions	Total Amount	Number of Transactions	Net Amount
2009-10	68	\$129,021	200	\$153,691	268	\$(24,670)
2010-11	37	74,892	216	150,217	253	(75,325)
2011-12	52	123,285	265	114,699	317	8,587
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Grand Total	333	\$745,096	1,419	\$771,350	1,752	\$(26,254)

* It is our understanding that the revenue recorded in fiscal year 2012-13 is affected by a \$30,000 one time grant provided by the Dean of the College of Arts on Sciences to the Poetry Center. Refer to Section VIII for the analysis.

** The fiscal year 2014 – 2015 values only include data through December 31, 2014 (6 months of data).

IV. Analysis of Transactional Activity – WCU



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Summary of Baker Tilly’s Testing Selections of the Poetry Center’s Transactional Activity by Fund Center

Fund Center	Revenue*		Operating Expenditures		Total	
	Number of Transactions	Total Amount	Number of Transactions	Total Amount	Number of Transactions	Net Amount
Ahmanson Poetry Conf.	-	\$ -	1	\$ 15,000	1	\$ (15,000)
D Justice Poetry Award	1	1,368	-	-	1	1,368
Iris Spencer Poet Aw	1	8,825	2	3,098	3	5,727
Poetry Center	18	458,743	18	74,882	36	383,861
Poetry Conference Gifts	3	14,625	2	50,000	5	(35,375)
Poetry Conference - SS	2	20,120	3	17,935	5	2,185
Story Line Press	-	-	4	21,000	4	(21,000)
Grand Total	25	\$ 503,681	30	\$181,915	55	\$321,766

*Our initial testing selections included 5 transactions that are out of Period. Those 5 transactions total \$121,308. Baker Tilly did not test or analyze the supporting documentation related to these transactions.

IV. Analysis of Transactional Activity – WCU Revenue



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> **Objective**

- To analyze the accuracy and completeness of revenue received during the Period associated with the Poetry Center and confirm WCU appropriately recorded funds related to the Poetry Center's operations.

> **Risks**

- The Poetry Center funds comprise a small amount of the total funds maintained by WCU.
- The financial activity that we relied upon for our analysis related to the transactions that were recorded within the 13 Poetry Center funds maintained at WCU.

IV. Analysis of Transactional Activity – WCU Revenue



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> **Risks (continued)**

- We did not select transactions outside the 13 Poetry Center funds or the 11 WCUF funds as part of our analysis. A risk exists that Poetry Center funds received may have been improperly recorded to other WCU or WCUF funds outside the Poetry Center.
- Donations do not result in the transfer of goods or services. Thus, the support for donation revenue can be “one-sided.” The possibility exists that a donation was not identified by the Poetry Center and therefore not processed by WCU. If a transaction was inappropriately diverted, the procedures and our testing would not identify the transaction.

IV. Analysis of Transactional Activity – WCU Revenue



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> **Risks (continued)**

- Additionally, we requested bank statements to verify that the general ledger accounted for the deposit activity.
 - > However, the Poetry Center’s bank activity is recorded within WCU’s main bank account, which accounts for numerous WCU operating units outside the Poetry Center.
 - > WCU deposits Poetry Center revenue and often records expenditures in batches, which limits our ability to determine whether the individual revenue transactions, as deposited in the bank, were properly classified and recorded in the Poetry Center’s general ledger.

IV. Analysis of Transactional Activity – WCU Revenue



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Summary of Baker Tilly's Revenue Testing Selections of the Poetry Center's Transactional Activity by Revenue Category

Revenue Type*	Number of Selections	Selection Amount
Participant Registration	12	\$84,140
Donations / Gift and Bequests	1	1,463
Endowment	7	296,770
Sample Selection Outside of Scope	5	121,308
Grand Total	25	\$503,681

*Our initial testing selections included 5 transactions that are out of Period. Those 5 transactions total \$121,308. Baker Tilly did not test or analyze the supporting documentation related to these transactions.

IV. Analysis of Transactional Activity – WCU Revenue – Participant Registration



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> **Overview**

- Twelve of our revenue selections totaling \$84,140 were registration fees collected from participants of the Poetry Conference.
 - > We analyzed the support provided to determine:
 - Whether the participant revenue was accurate and complete;
 - Whether the participant revenue was properly recorded into the general ledger; and
 - If supporting documentation was maintained.
 - > Poetry Conference participant registration payments are made either through checks or credit cards.
 - > We identified several instances in which supporting documentation was not maintained to verify the completeness.
 - > **See Handouts 1, 2 and 3.***

* Handouts include only selected pages of the supporting documentation provided.

IV. Analysis of Transactional Activity – WCU Revenue – Participant Registration



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> Observations

Summary of Support Provided for Participant Registration Revenue Transactions

No.	Support Ref. No.	Date Received	Total Amount of Transaction	Missing Bursar Receipt	Percent Bursar Missing Receipts	Missing Cancelled Check or Credit Card Receipt	Percent Cancelled Check or Credit Card Receipt Missing
1	R07	11/05/2009	\$ 1,368	\$ -	0%	\$ 1,368	100%
2	R09	05/13/2010	10,960	-	0%	2,860	26%
3	R10	06/04/2010	3,582	-	0%	1,050	29%
4	R13	05/12/2011	3,385	-	0%	3,385	100%
5	R14	07/25/2011	6,125	-	0%	3,250	53%
6	R16	01/13/2012	890	890	100%	890	100%
7**	R17	03/12/2012	5,565	5,565	100%	5,565	100%
8***	R18	04/27/2012	9,695	690	7%	1,630	17%
9*	R20	02/27/2013	5,590	-	0%	-	0%
10	R21	05/07/2013	14,530	-	0%	570	4%
11	R22	05/24/2013	6,135	-	0%	-	0%
12	R23	06/03/2013	16,315	-	0%	-	0%
Total			\$ 84,140	\$ 6,985	8%	\$ 20,568	27%

* See Handout 1.

** See Handout 2.

*** See Handout 3.

IV. Analysis of Transactional Activity – WCU Revenue – Participant Registration



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> **Observations**

- Poetry Conference registration records were not made available by the Poetry Center, which limited our ability to determine the accuracy of the participant registration fee revenue transactions analyzed.
- Of the total participant registration fee transactions analyzed totaling \$84,140, bursar receipts were not provided for 8% of transactions and copies of payor cancelled checks or credit card receipts were not provided for 27% of transactions.
 - > Only three selections included both a receipt generated by the Bursar Office and the credit card receipt or cancelled check. See **Handout 1**.
 - > No supporting documentation was provided for two selections. See **Handout 2**.
 - > Support provided for seven transactions was incomplete. See **Handout 3**.
- Another challenge was that both WCU and WCUF processed Poetry Conference participant registration fees during the same timeframe.

IV. Analysis of Transactional Activity – WCU Revenue – Participant Registration



Candor. Insight. Results.

> **Risks Identified**

- Without Poetry Conference participant registration records, a list of conference attendees, and copies of the canceled checks / credit card receipts for all transactions, we were not able to determine whether:
 - > The participant revenue collected was complete; and
 - > The amount per the general ledger is complete and accurate.
- Without complete Poetry Conference registration records, WCU is exposed to a risk of misappropriation of Poetry Conference participant registration fees.
- The overlapping responsibility of processing conference participant fees between WCU and WCUF during the same timeframe also presented accountability issues and control weaknesses.

IV. Analysis of Transactional Activity – WCU Revenue – Participant Registration



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> **Recommendations**

- The Poetry Center should maintain and/or be able to produce:
 - > Copies of participant registration records;
 - > List of all participants of the Poetry Conference and any other Poetry Center events to verify that the amount paid to the University Bursar's Office was complete; and
 - > Canceled check / credit card receipts to support the general ledger activity.
- The process of collecting Poetry Conference participant registration fees should be centralized at WCU's Office of Conference Services to ensure the Poetry Center receives proper oversight and that there is the appropriate level of accountability for the Poetry Conference fees.
- Finally, a reconciliation of the Poetry Conference revenue and expenditures or any other events should be maintained and signed off to establish its accuracy.

IV. Analysis of Transactional Activity – WCU Revenue – Donations/Gift/Bequests



Candor. Insight. Results.

> **Overview**

- One of our revenue selections totaling \$1,463 was a donation received for the benefit of the Poetry Center.
- We analyzed the support provided to ensure that the donated funds were allocated in accordance with the donor's intention.

> **Observations**

- The donation was for \$1,500 and the amount recorded to the Poetry Center was \$1,463, which included a reduction for a \$37 (or 2.5 percent) administrative fee.
- The donation was appropriately supported with a copy of the donor's cancelled check, which indicated the donor's intention, and was also appropriately allocated in the Poetry Center's general ledger.
- See **Handout 4**.

IV. Analysis of Transactional Activity – WCU Revenue – Donations/Gift/Bequests



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> ***Risks Identified***

- If there is a failure to maintain the appropriate support and documentation to substantiate donation or gifts and bequest revenue, a risk exists that donations may be allocated to a fund that is not in accordance with the donor's intention.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCU Revenue – Endowment Income



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> **Overview**

- Seven of our revenue selections totaling \$296,770 were WCU Endowment Fund annual returns allocated to the Poetry Center.
 - > WCU maintains an endowment investment fund that generates income in the form of investment returns that are recorded as revenue to the Poetry Center.
 - > The return on investment funds are to be used for donor stipulated purposes.
 - > As part of our analysis, we requested copies of the brokerage statements and the detailed calculation of the returns distributed to the Poetry Center.
 - > We also substantiated the market value and the amounts allocated to the Poetry Center.

IV. Analysis of Transactional Activity – WCU Revenue – Endowment Income



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> **Observations**

- WCU provided the internal endowment allocation schedules which provided details of the total investment amount, the percentage of market value, and the current year allocation for each endowment fund, which includes the endowment for the Poetry Center through the Poetry Conference Endowment.
- Copies of the brokerage statements were provided substantiating the current market value of the entire endowment investment fund.
- See **Handout 5**.

IV. Analysis of Transactional Activity – WCU Revenue – Endowment Income



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> ***Risks Identified***

- If there is a failure to maintain the appropriate support and documentation to substantiate the returns on the endowment investment, there is risk that the amounts allocated as endowment income could be inflated and/or unsubstantiated.

> ***Recommendations***

- None.
- Based upon our analysis and review of the documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCU Expenditures



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> **Objective**

- To analyze the appropriateness and legitimacy of disbursements by the Poetry Center during the Period to determine whether appropriate supporting documentation was maintained to support and justify the transactional activity.

IV. Analysis of Transactional Activity – WCU Expenditures



Candor. Insight. Results.

Summary of the Poetry Center's Total Revenues and Expenditures by Fiscal Year

Fiscal Year	Revenue		Operating Expenditures		Total	
	Number of Transactions	Total Amount	Number of Transactions	Total Amount	Number of Transactions	Net Amount
2009-10	68	\$129,021	200	\$153,691	268	\$(24,670)
2010-11	37	74,892	216	150,217	253	(75,325)
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Grand Total	333	\$745,096	1,419	\$771,350	1,752	\$(26,254)

* It is our understanding that the revenue recorded in fiscal year 2012-13 is affected by a \$30,000 one time grant provided by the Dean of the College of Arts on Sciences to the Poetry Center. Refer to Section VIII for the analysis.

** The fiscal year 2014 – 2015 values only include data through December 31, 2014 (6 months of data).

IV. Analysis of Transactional Activity – WCU Expenditures



Candor. Insight. Results.

Summary of Baker Tilly's Expenditure Testing Selections of the Poetry Center's Transactional Activity by Expenditure Category

Expenditure Type	Number of Selections	Amount
Meals and Entertainment	6	\$40,530
Expenditure Reimbursements	5	9,625
Honorariums	6	35,500
Transfers	4	35,000
Poetry Conference Expenditures	6	54,874
Other Expenditures	3	6,386
Grand Total	30	\$ 181,915

IV. Analysis of Transactional Activity – WCU Expenditures – Meals & Entertainment



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> **Overview**

- Six of our expenditure selections totaling \$40,530 were related to meals and entertainment for the Poetry Center and/or Poetry Conference.
 - > Based upon our testing of Poetry Center meals and entertainment selections, purchases of meals/food for the Poetry Conference and other Poetry Center events were made through a WCU account with Aramark.
 - > The Poetry Center provided detailed Aramark purchase orders for all selections. The purchase orders provided detail to support the transactions, which appeared reasonable, however, without the invoices and signature approvals, we were unable to verify whether the transactions were approved.
 - > WCU provided copies of the cancelled checks made payable to Aramark or support for the wire transfers from M&T bank for all selections.

IV. Analysis of Transactional Activity – WCU Expenditures – Meals & Entertainment



Candor. Insight. Results.

> **Observations**

- Only one of our selections (see **Handout 6**) was completely supported with appropriate documentation, including a purchase order, invoice, evidence of payment to Aramark and evidence of approval.
 - > The Poetry Center is not allowed to purchase alcohol. We noted that the possibility that alcohol was purchased based on the description of the original purchase order (see **Reference E** in **Handout 6**). The supporting documentation highlights that WCU questioned the alcohol purchase, excluded the amount from the invoice while the purchase was verified. The purchase order was then reissued to exclude mention of the alcohol. It appears that WCU did not pay for alcohol and based on the purchase order, wine was served at dinner. The wine was not part of the purchase price of the meal.
- The five other selections were only supported with purchase orders and evidence of payment to Aramark. Thus, of the total Meals and Entertainment expenditures analyzed totaling \$40,531, invoice receipts or other documentation from Aramark and evidence of approval was not provided for \$31,174, or 77%. See **Handout 7**.

IV. Analysis of Transactional Activity – WCU Expenditures – Meals & Entertainment



Candor. Insight. Results.

> ***Risks Identified***

- The lack of appropriate expenditure approvals and supporting documentation exposes WCU to the potential risk of unauthorized and inappropriate transactions.
- Due to the lack of proof for expense approvals, we are not able to verify that the purchases from Aramark were appropriately authorized.

IV. Analysis of Transactional Activity – WCU Expenditures – Meals & Entertainment



Candor. Insight. Results.

> **Recommendations**

- We recommend that the Poetry Center enforce existing policies and require approvals from authorized individuals prior to the purchase of Poetry Center meals and/or other food supplies.
- We recommend that the Poetry Center maintain the proper documentation, including invoice support and evidence of expenditure approval.
- WCU should not process any payments without appropriate supporting documentation including the indication of proper approval.

IV. Analysis of Transactional Activity – WCU Expenditures – Expenditure Reimbursements



Candor. Insight. Results.

> **Overview**

- We tested five transactions related to expenditure reimbursements totaling \$9,625.
 - > The Poetry Center reimbursed certain out-of-pocket expenses to both Poetry Center personnel, as well as to individuals involved in the Poetry Conferences and other Poetry Center events.
 - > The supporting documentation included travel expense vouchers or payment request forms detailing the items requested for reimbursement. These documents were supported with receipts. All expenditure reimbursements analyzed were supported with a copy of the cancelled check.
 - > Supporting documentation evidencing signature approval to pay expenditure reimbursements was not always present in the documentation provided.

IV. Analysis of Transactional Activity – WCU Expenditures – Expenditure Reimbursements



Candor. Insight. Results.

> **Observations**

- We noted three transactions in which the entire expenditure reimbursement was not appropriately substantiated:
 - > \$1,598 appeared to be overpaid by \$126. See **Handout 8**.
 - > \$3,417 did not contain evidence of approvals for \$285. See **Handout 9**.
 - > \$962 did not contain any evidence of approval in the documentation provided. See **Handout 10**.

IV. Analysis of Transactional Activity – WCU Expenditures – Expenditure Reimbursements



Candor. Insight. Results.

> ***Risks Identified***

- The lack of evidence of a detailed review and/or approval of the expenditure reimbursements exposes the Poetry Center to reimbursement of inaccurate, potentially inappropriate and/or unauthorized expenditures.

> ***Recommendations***

- The Poetry Center should require signatures on all payment request forms and stress the importance of detailed reviews of documentation to ensure that the reimbursements are legitimate expenses and the appropriate amount is reimbursed.
- The Poetry Center should also verify that signatures and approvals exist.
- WCU should not process any payments without appropriate supporting documentation, including the indication of proper approval.

IV. Analysis of Transactional Activity – WCU Expenditures – Honorariums



Candor. Insight. Results.

> **Overview**

- We tested six honorarium expenditure selections totaling \$35,500 related to the Poetry Center and/or Poetry Conference.
 - > We noted that the Poetry Center provided individuals with honorariums for teaching workshops and leading seminars associated with the Poetry Center and Poetry Conference.
 - > The supporting documentation included approved payment request forms detailing the nature of the honorarium.
 - > A copy of the cancelled check payable to the individual was also provided for all transactions analyzed.

IV. Analysis of Transactional Activity – WCU Expenditures – Honorariums



Candor. Insight. Results.

> **Observations**

- We identified that the Poetry Center did not maintain appropriate approvals for the following three honorarium selections:
 - > A disbursement totaling \$20,000 included \$2,500 of signature approval and did not include evidence of signature approval for \$17,500. **See Handout 11.**
 - > A disbursement totaling \$1,000 did not include any evidence of signature approval.
 - > A disbursement totaling \$2,500 did not include any evidence of signature approval.
- In total, the supporting documentation provided did not include evidence of approval for \$21,000 of the total \$35,500 honorarium disbursements analyzed.

IV. Analysis of Transactional Activity – WCU Expenditures – Honorariums



Candor. Insight. Results.

> **Risks Identified**

- It is our understanding that honorariums are disbursed to individuals at the Poetry Center's discretion. Due to the lack of approvals, WCU is exposed to the risk of individuals initiating and paying honorariums to ineligible individuals for unauthorized amounts.

> **Recommendations**

- We recommend that the Poetry Center maintain documentation that justifies the amount and purpose of the honorarium and includes evidence of approval.
- WCU should not process any payments without appropriate supporting documentation, including the indication of proper approval.

IV. Analysis of Transactional Activity – WCU Expenditures – Transfers



Candor. Insight. Results.

> **Overview**

- We noted that four of our selections were transfers from Poetry Conference Gifts Fund and Ahmanson Poetry Conference Fund to the Poetry Center Fund.
- The selected transactions involved:
 - > \$35,000 from the Poetry Conference Gifts Fund to the Poetry Center Fund;
 - > \$15,000 from the Poetry Conference Gifts Fund and \$15,000 from the Ahmanson Poetry Conference Fund to the Poetry Center Fund, or a total transfer of \$30,000 into the Poetry Center Fund. **See Handout 12.**

IV. Analysis of Transactional Activity – WCU Expenditures – Transfers



Candor. Insight. Results.

> **Observations**

- The documentation provided for the transfers included:
 - > Email correspondence from Ms. Smith indicating approval for the transfers, but did not include any other detail indicating the purpose, nature, or appropriateness of the transfer; and
 - > Copies of the cancelled checks, when applicable.
- There was no indication of the purpose for the transfers.
- No other supporting documentation that substantiated the approval of the transfers was provided.

IV. Analysis of Transactional Activity – WCU Expenditures – Transfers



Candor. Insight. Results.

> ***Risks Identified***

- There is a risk that transfers represent previously donated funds with an intended purpose that is not preserved through the transfer.
- There is a risk that the transfer may change the purpose inappropriately.
- The approval emails initiating the transfer included limited information.

> ***Recommendations***

- We recommend that WCU maintain documentation evidencing the nature, purpose, and appropriateness of transfers and the documentation that includes proper approvals to support the transfer.

IV. Analysis of Transactional Activity – WCU Expenditures – Conference Expenditures



Candor. Insight. Results.

> **Overview**

- We selected six expenditures totaling \$54,874 which related to the Poetry Conference, including advertisements, housing and transportation for Poetry Conference attendees, facility costs, and musical performance services.
- The Poetry Conference expenses were generally supported with purchase orders or purchase requisitions from WCU's SAP system, approved invoices or other third party documentation, and the cancelled checks issued to the appropriate party.

IV. Analysis of Transactional Activity – WCU Expenditures – Conference Expenditures



Candor. Insight. Results.

> **Observations**

- We noted two expenditure transactions that did not include sufficient supporting documentation:
 - > A disbursement of \$23,374 was not substantiated with a purchase order, indication of approval, or documentation evidencing proof of payment or the transfer of funds. See **Handout 13**.
 - > A disbursement of \$1,575 did not contain a copy of the invoice or other third party documentation in the support provided. See **Handout 14**.

IV. Analysis of Transactional Activity – WCU Expenditures – Conference Expenditures



Candor. Insight. Results.

> ***Risks Identified***

- The lack of approvals exposes WCU to the risk that a disbursement of funds could go towards an unauthorized, inappropriate and/or illegitimate expenditure.

> ***Recommendations***

- Support for all expenditures should be maintained to allow for the determination of the appropriateness and legitimacy for each expenditure. This includes providing evidence of approval from authorized individuals, invoices from third parties, and proof of payment (e.g. copy of cancelled check or wire payment).
- WCU should not process any payments without appropriate supporting documentation, including the indication of proper approval.

IV. Analysis of Transactional Activity – WCU Expenditures – Other Expenditures



Candor. Insight. Results.

> **Overview**

- We selected three Poetry Center expenditures totaling \$6,386. These related to the Poetry Center's general operating expenditures, including poetry readings, scholarship awards, and book purchases.
- The expenditures were supported by purchase orders or purchase requisitions from the Poetry Center's SAP system, approved invoices, and the cancelled checks that were issued to the appropriate parties.

IV. Analysis of Transactional Activity – WCU Expenditures – Other Expenditures



Candor. Insight. Results.

> **Observations**

- Two expenditure selections did not include sufficient supporting documentation:
 - > We were provided with a copy of the cancelled check (\$1,500) payable to the individual identified in the general ledger. However, we were not provided with a copy of the purchase requisition support, invoice or any indication of approval. Thus, we are unable to determine whether the nature of the expense or the appropriateness of the transaction. It appears the expense related to an honorarium for participation at the Poetry Conference. See **Handout 15**.
 - > A disbursement for \$1,386 for the purchase of books for the Iris N. Spencer Anthology. The support provided included a receipt for the purchase of books and proof of electronic payment, but did not include any indication of approval prior to the purchase being made. See **Handout 16**.

IV. Analysis of Transactional Activity – WCU Expenditures – Other Expenditures



Candor. Insight. Results.

> ***Risks Identified***

- The lack of appropriate expense approvals exposes the Poetry Center's operations to the risk of unauthorized and inappropriate transactions, which could result in overspending of the Poetry Center's funds.
- Without a purchase requisition or third party support, we are unable to verify the nature and appropriateness of the expense.

> ***Recommendations***

- Support for all expenses should include evidence of approval from authorized individuals.
- We recommend that the Poetry Center maintain documentation evidencing the nature, purpose, and appropriateness of all expenditures.
- WCU should not process any payments without appropriate supporting documentation, including the indication of proper approval.

IV. Analysis of Transactional Activity – WCUF’s Financial Activity



Candor. Insight. Results.

Summary of WCUF’s Total Transactions Related to the Poetry Center and Poetry Conference by Fiscal Year

Fiscal Year	Cash Inflows		Cash Outflows		Total	
	Number of Transactions	Total Amount	Number of Transactions	Total Amount	Number of Transactions	Net Amount
2009-10	17	\$29,164	17	\$22,397	34	\$6,767
2010-11	54	124,282	64	157,695	118	(33,413)
2011-12	108	163,129	123	175,502	231	(12,373)
2012-13	145	78,050	115	72,622	260	5,428
2013-14	96	38,684	92	16,727	188	21,957
2014-15*	8	18,628	10	21,628	18	(3,000)
Grand Total	428	\$451,937	421	\$466,571	849	\$(14,634)

*The fiscal year 2014 – 2015 values only include data through December 31, 2014 (6 months of data).

IV. Analysis of Transactional Activity – WCUF Revenue



Candor. Insight. Results.

Summary of Baker Tilly’s Testing Selections of WCUF’s Transactional Activity Related to the Poetry Center and Poetry Conference by Fund Center

Fund Centers Tested	Number of Selections	Total Inflows	Total Outflows
Iris N. Spencer Poetry Awards	5	\$11,832	\$6,500
Michael Piech Scholarship	3	-	3,588
Myong Cha Son Award for Haiku	1	-	1,263
Poetry Center Operating Fund	15	26,936	16,321
Poetry Conference	21	94,333	119,008
Poetry Conference Attendee Expenses	4	30,160	13,365
The Rhina P. Espaillat Poetry Prize Scholarship	2	160	500
Grand Total	51	\$ 163,421	\$ 160,545

IV. Analysis of Transactional Activity – WCUF Revenue



Candor. Insight. Results.

> **Objective**

- To analyze the accuracy and completeness of WCUF's revenue related to the Poetry Center and Poetry Conference.
- To determine whether the support maintained by WCUF justified the financial activity recorded in the general ledger related to the Poetry Center operations.

IV. Analysis of Transactional Activity – WCUF Revenue



Candor. Insight. Results.

> **Risks**

- The Poetry Center funds comprise a small amount of the total funds maintained by WCUF.
- The financial activity that we relied upon for our analysis related to the transactions that were recorded within the 11 Poetry Center funds maintained at WCUF during the Period.
- We did not select transactions outside the 11 WCUF funds as part of our analysis. A risk exists that Poetry Center funds received may have been improperly recorded to other WCU or WCUF funds outside the Poetry Center funds.

IV. Analysis of Transactional Activity – WCUF Revenue



Candor. Insight. Results.

> **Risks (continued)**

- Donations do not result in the transfer of goods or services. Thus, the support for donation revenue can be “one-sided.” The possibility exists that a donation was not identified by the Poetry Center and therefore not processed by WCUF. If a transaction was inappropriately diverted, the procedures and our testing would not identify the missing transaction.
- Additionally, we requested bank statements to verify that the general ledger accounted for the deposit activity.
 - > WCUF’s bank activity is recorded within WCUF’s main bank account, which accounts for numerous WCUF operating units other than the Poetry Center.
 - > WCUF deposits Poetry Center revenue and often records expenditures in batches, which limits our ability to determine whether the individual revenue transactions, as deposited in the bank, were properly classified and recorded in the Poetry Center’s general ledger.

IV. Analysis of Transactional Activity – WCUF Revenue



Candor. Insight. Results.

> **Risks (continued)**

- WCUF’s general ledger transactions included 11 funds related to the Poetry Center and the Poetry Conference during the Period.
- Access to this limited data presented the following limitations:
 - > The 11 funds related to the Poetry Center and Poetry Conference comprise a small amount of the total funds maintained by WCUF.
 - > We did not select transactions outside these 11 funds to analyze, as this was beyond the scope of this engagement. WCUF engages an outside CPA firm to perform an annual financial statement audit. The audit tests revenue (and expense) transactions for material misstatements.

IV. Analysis of Transactional Activity – WCUF Revenue



Candor. Insight. Results.

> **Risks (Continued)**

- Additionally, we requested bank statements to verify that the general ledger accounted for the deposit activity.
 - > WCUF's bank activity related to the Poetry Center and Poetry Conference was recorded within WCUF's main bank account, which accounts for in excess of 800 WCUF funds unrelated to the Poetry Center and Poetry Conference.
 - > WCUF records deposits of revenue and often expenditures related to the Poetry Center and Poetry Conference in batches, which limited our ability to determine whether the individual revenue transactions, as deposited in the bank, were properly classified and recorded in the WCUF's general ledger.

IV. Analysis of Transactional Activity – WCUF Revenue



Candor. Insight. Results.

Summary of Baker Tilly’s Revenue Testing Selections of WCUF’s Transactional Activity Related to the Poetry Center and Poetry Conference by Revenue Category

Revenue Type	Number of Selections	Cash Inflow Amount
Conference Registration Fees	5	\$ 32,175
Donations	9	34,288
Endowments	1	10,861
Re-class Inflows	8	86,097
Grand Total	23	\$ 163,421

IV. Analysis of Transactional Activity – WCUF Revenue – Conference Registration



Candor. Insight. Results.

> **Overview**

- Five of our selections, totaling \$32,175, represented fees collected from participants of the Poetry Conference.
 - > We analyzed the support provided to determine whether the participant revenue was accurate and complete and properly recorded into the general ledger activity and whether appropriate support was maintained to substantiate the receipt.

IV. Analysis of Transactional Activity – WCUF Revenue – Conference Registration



Candor. Insight. Results.

> **Observations**

- Payments were made by either check or credit card.
- The following documentation was appropriately maintained for **all** selections analyzed:
 - > A copy of WCUF’s merchant billing statement indicating the credit card payment, when applicable; and
 - > A copy of the donor’s cancelled check or a copy of WCUF’s bank statement confirming the batch deposit, when applicable.
- Poetry Conference registration records were not provided for any of the Poetry Conference participant registration fee revenue transactions analyzed.

IV. Analysis of Transactional Activity – WCUF Revenue – Conference Registration



Candor. Insight. Results.

> **Risks Identified**

- It was the responsibility of the Poetry Center to maintain appropriate participant registration records. The failure to maintain the appropriate support and documentation to substantiate the financial activity presents a risk for participant fees recorded and collections to be incomplete and/or inaccurate, as well as the opportunity for misappropriation of participant fees.
- Because the appropriate documentation was not provided by the Poetry Center, our ability to verify the completeness of the receipts recorded by WCUF was limited.
- We also identified overlapping responsibility of collecting Poetry Conference participant fees between WCU and WCUF during the same time periods, which also presents the opportunity for incompleteness and/or inappropriate activity to occur.

IV. Analysis of Transactional Activity – WCUF Revenue – Conference Registration



Candor. Insight. Results.

> **Risks Identified**

- When funds are received, we would expect that documentation be maintained and/or requested to ensure that the complete amount is received.
- Without Poetry Conference participant registration records or a list of Poetry Conference attendees, we were not able to determine whether:
 - > The participant revenue collected was complete; and
 - > The amount per the general ledger is complete and accurate.
- Without the Poetry Conference registration records, WCUF is exposed to a risk for participant fees recorded and collections to be incomplete and/or inaccurate, as well as the opportunity for misappropriation of participant fees.
- The overlapping responsibility of processing conference participant fees between WCU and WCUF during the same timeframe also presented accountability issues and control weaknesses.

IV. Analysis of Transactional Activity – WCUF Revenue – Conference Registration



Candor. Insight. Results.

> ***Recommendations***

- We recommend that the process of collecting Poetry Conference participant fees be centralized at WCU's Office of Conference Services to ensure that the Poetry Center receives proper oversight and that there is the appropriate level of accountability for the Poetry Conference fees.

IV. Analysis of Transactional Activity – WCUF Revenue – Donations



Candor. Insight. Results.

> **Overview**

- Nine of our revenue selections totaling \$34,288 were donations received for the benefit of the Poetry Center and/or Poetry Conference.
 - > We analyzed the documentation maintained by WCUF related to the Poetry Center and Poetry Conference to ensure that donated funds were recorded in accordance with the donor's intention.
 - > WCUF policy requires copies of checks to be maintained for donations of \$250 or more.
 - > See **Handout 17** for a sample of the information received to support the transactional activity tested.

IV. Analysis of Transactional Activity – WCUF Revenue – Donations



Candor. Insight. Results.

> **Observations**

- The support provided included a copy of the cancelled check or deposit slip receipt from the bank. Though, the bank deposit slips were only provided in instances in which a copy of the donor's check or other proof of payment could not be provided. This documentation was appropriately maintained for all analyzed donations greater than \$250, in accordance with WCUF policy.
- Donations were supported with documentation evidencing the donor's intention in the form of tax receipts provided to the donor or correspondence directly from the donor indicating his or her intent.

IV. Analysis of Transactional Activity – WCUF Revenue – Donations



Candor. Insight. Results.

> ***Risks Identified***

- If there is a failure to maintain the appropriate support and documentation to substantiate donation revenue, there is risk for donations to be allocated to a fund that is not in accordance with the donor's intention.
- Appropriate documentation was maintained by WCUF, indicating there is no current risk for WCUF.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCUF Revenue – Endowment



Candor. Insight. Results.

> **Overview**

- We selected a transaction that totaled \$10,861. The transaction allocated funds from the Iris N. Spencer Poetry Award endowment fund.
 - > It is our understanding that the WCUF's endowment consists of various individual funds established for a variety of purposes, including a fund designated for WCUF's funds held for the benefit of the Poetry Center and Poetry Conference.
 - > We understand that WCUF's endowment software includes an allocation module that calculates and distributes the appropriate returns to the various endowed purposes.

IV. Analysis of Transactional Activity – WCUF Revenue – Endowment



Candor. Insight. Results.

> **Observations**

- We obtained and reviewed the documentation provided that included:
 - > An internally generated report evidencing the calculation of returns to be distributed to the WCUF fund held for the benefit of the Poetry Center and Poetry Conference.
 - > Support from Wells Fargo and Citizen's Bank to substantiate the market value of the fund.

IV. Analysis of Transactional Activity – WCUF Revenue – Endowment



Candor. Insight. Results.

> ***Risks Identified***

- If there is a failure to maintain the appropriate support and documentation to substantiate the returns on the endowment investment, there is risk that the amounts allocated as endowment income could be inflated and unsubstantiated.
- Due to the fact that the appropriate documentation was maintained, this does not appear to be a risk for WCUF.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCUF Revenue – Account Reclassification Inflows



Candor. Insight. Results.

> **Overview**

- We selected eight transactions totaling \$86,097 which represented transfers between temporarily restricted cash (2-1000) and unrestricted cash (1-1000).
 - > WCUF's accounts payable module does not currently have the ability to check the existing balance in a particular cash account (restricted, unrestricted, or temporarily restricted) before issuing a check. Thus, when a check is drawn from an under-funded account, this can result in a negative cash account balance. Periodically, adjusting journal entries are made to transfer amounts between cash accounts within the same fund.
 - > We analyzed the supporting documentation provided to determine the nature, purpose and appropriateness of these transfers. We analyzed the transactions to determine whether the transfers were in accordance with the donor's intention.

IV. Analysis of Transactional Activity – WCUF Revenue – Account Reclassification Inflows



Candor. Insight. Results.

> **Observations**

- Two of the eight reclassifications were transfers from temporarily restricted cash (acct. 2-1000) to unrestricted cash (acct. 1-1000) to cover the deficit from the overdrawn account. The transfer does not impact the purpose or use of funds. Each fund, such as the Irish Spencer Poetry Award Fund, was established based upon the nature and purpose of the use of monies within that fund.
- The six other transfers which represented transfers between the temporarily restricted and unrestricted cash accounts were also within the same funds.
- It is our understanding that within the fund, regardless of the cash account classification, funds are already recorded in accordance with the nature and purpose of the particular activity. Because the transfers are within the same funds, there was no impact.

IV. Analysis of Transactional Activity – WCUF Revenue – Account Reclassification Inflows



Candor. Insight. Results.

> ***Risks Identified***

- If there is a failure to maintain the appropriate support and documentation to substantiate transfers within WCUF funds for the benefit of the Poetry Center, there is risk that the amounts transferred could represent previously donated funds intended for a specific purpose that is not preserved through the transfer.
- Due to the fact that the appropriate documentation was maintained and that all of the transfers analyzed were within the same funds, this does not appear to be a risk for WCUF.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCUF Expenditures



Candor. Insight. Results.

> **Objective**

- To analyze the appropriateness and legitimacy of expenditures made by WCUF related to the Poetry Center and Poetry Conference during the Period.
- To determine whether the support maintained by WCUF justified the financial activity recorded in the general ledger related to the Poetry Center operations.

IV. Analysis of Transactional Activity – WCUF Expenditures



Candor. Insight. Results.

Summary of Baker Tilly’s Expenditure Testing Selections of WCUF’s Transactional Activity Related to the Poetry Center and Poetry Conference by Expenditure Category

Expense Type	Number of Selections	Cash Outflow Amount
Expense Reimbursements	3	\$3,224
Honorariums	4	6,400
Misc. Conference	6	39,549
Misc. WCUF	7	25,275
Re-Class Outflows	8	86,097
Grand Total	28	\$ 160,545

IV. Analysis of Transactional Activity – WCUF Expenditures – Expenditure Reimbursements



Candor. Insight. Results.

> **Overview**

- Three of our selections totaling \$3,224 were related to expenditure reimbursements.
 - > WCUF reimbursed out-of-pocket expenses to both WCUF personnel, as well as to certain individuals involved in the annual Poetry Conferences and other Poetry Center events.

IV. Analysis of Transactional Activity – WCUF Expenditures – Expenditure Reimbursements



Candor. Insight. Results.

> **Observations**

- The supporting documentation included an approved disbursement authorization detailing the amount requested for reimbursement and the nature of the expense. These documents were supported with invoices or receipts, as well as a copy of the related cancelled check payable to the individual.
- We noted one transaction in which the expense reimbursement was not appropriately substantiated:
 - > Expenditure selection totaling \$387 did not include complete third party documentation for \$79 of the total expenditure. Also, \$273 of the total expenditure did not include any evidence of approval. Also, copies of the cancelled checks issued were not provided. See **Handout 18**.

IV. Analysis of Transactional Activity – WCUF Expenditures – Expenditure Reimbursements



Candor. Insight. Results.

> ***Risks Identified***

- Without proper detailed reviews of expense reimbursement support, WCUF is at risk for reimbursing individuals for inappropriate expenses.
- Without documentation that evidences signatures of approval, we are not able to verify that the expense reimbursements were appropriately authorized or confirm that the appropriate amount was paid to the appropriate individual.

> ***Recommendations***

- WCUF should require signatures on all payment request forms and stress the importance of detailed reviews of supporting documentation to ensure that the reimbursements are legitimate expenses and that the appropriate amount is paid.

IV. Analysis of Transactional Activity – WCUF Expenditures – Honorariums



Candor. Insight. Results.

> **Overview**

- Four of our expenditure selections totaling \$6,400 were honorarium payments related to the Poetry Center and/or Poetry Conference.
 - > We noted that WCUF, at the sole discretion of the Poetry Center, provides individuals with honorariums for teaching workshops, performing, or reading for the benefit of the WCU Poetry Conference and Poetry Center.

IV. Analysis of Transactional Activity – WCUF Expenditures – Honorariums



Candor. Insight. Results.

> **Observations**

- All four honorarium selections analyzed totaling \$6,400 were supported by approved disbursement authorization forms detailing the nature and amount of the honorarium.
- Additionally, a copy of the cancelled check payable to the individual was provided, as well as documentation from WCU's website evidencing that the honorarium service was actually performed.

IV. Analysis of Transactional Activity – WCUF Expenditures – Honorariums



Candor. Insight. Results.

> ***Risks Identified***

- It is our understanding that honorariums are disbursed to individuals by WCUF at the Poetry Center's discretion. If there is a failure to maintain the appropriate support, documentation, and evidence of approval, there is a risk for individuals to initiate and pay an honorarium to ineligible individuals.
- Additionally, there is a risk that decisions to disburse funds are made by the Poetry Center before confirming the availability of funds.
- As the appropriate documentation was maintained and that all of the honorariums analyzed evidenced appropriate approvals, this does not appear to be a risk for WCUF.

IV. Analysis of Transactional Activity – WCUF Expenditures – Honorariums



Candor. Insight. Results.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCUF Expenditures – Conference Expenditures



Candor. Insight. Results.

> **Overview**

- We selected six expenses totaling \$39,549 which related to the Poetry Conference, including the following:
 - > Two payments to scholarship recipients to attend the Poetry Conference;
 - > Reception dinners;
 - > Housing for faculty and other Poetry Conference attendees;
 - > Videotaping services; and
 - > Vehicle repair expense.

IV. Analysis of Transactional Activity – WCUF Expenditures – Conference Expenditures



Candor. Insight. Results.

> **Observations**

- All Poetry Conference expenses analyzed were supported by approved disbursement authorization forms detailing the amount and nature of the expenditure.
- All expenditure selections were supported by invoice or other third party documentation, as well as a copy of the cancelled check issued to the payee.
- See **Handout 19**.

IV. Analysis of Transactional Activity – WCUF Expenditures – Conference Expenditures



Candor. Insight. Results.

> ***Risks Identified***

- If there is a failure to maintain the appropriate support, documentation, and evidence of approval, there is a risk for the occurrence of unauthorized and/or inappropriate transactions, which could result in overspending of WCUF's funds.
- As the appropriate documentation was maintained and that all of the conference expenditures analyzed evidenced appropriate approvals, this does not appear to be a risk for WCUF.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCUF Expenditures – Other Expenditures



Candor. Insight. Results.

> **Overview**

- We selected six other expenses totaling \$25,275 which related to general operating expenditures incurred by WCUF in relation to the Poetry Center and/or Poetry Conference, included the following:
 - > Two poetry prize winner awards;
 - > Gift fee allocations;
 - > Salary of a Story Line Press faculty member;
 - > Advertising; and
 - > Poetry books.

IV. Analysis of Transactional Activity – WCUF Expenditures – Other Expenditures



Candor. Insight. Results.

> **Observations**

- All other expenditures analyzed were supported by the following:
 - > Approved disbursement authorization forms, or similar approval forms, detailing the amount and nature of the expenditure;
 - > Invoice or other third party documentation; and
 - > A copy of the cancelled check issued to the payee.
- Included within these expenditures was a selection related to gift fee allocations. We verified that all gift fees analyzed were in accordance with WCUF's gift fee policy, effective October 2, 2007, and that the gift fee percentage of 2.5% was being allocated appropriately.

IV. Analysis of Transactional Activity – WCUF Expenditures – Other Expenditures



Candor. Insight. Results.

> ***Risks Identified***

- If there is a failure to maintain the appropriate support, documentation, and evidence of approval, there is a risk for the occurrence of unauthorized and/or inappropriate transactions, which could result in overspending of WCUF's funds.
- As the appropriate documentation was maintained and that all of the conference expenditures analyzed evidenced appropriate approvals, this does not appear to be a risk for WCUF.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

IV. Analysis of Transactional Activity – WCUF Expenditures – Account Reclassification Outflows



Candor. Insight. Results.

> **Overview**

- We selected eight transactions totaling \$86,097 which represented transfers between temporarily restricted cash (2-1000) and unrestricted cash (1-1000).
 - > WCUF's accounts payable module does not currently have the ability to check the existing balance in a particular cash account (restricted, unrestricted, or temporarily restricted) before issuing a check. Thus, when a check is drawn from an under-funded account, this can result in a negative cash account balance. Periodically, adjusting journal entries are made to transfer amounts between cash accounts within the same fund.
 - > We analyzed the supporting documentation provided to determine the nature, purpose and appropriateness of these transfers. We analyzed the transactions to determine whether the transfers were in accordance with the donor's intention.

IV. Analysis of Transactional Activity – WCUF Expenditures – Account Reclassification Outflows



Candor. Insight. Results.

> **Observations**

- Two of the eight reclassifications were transfers from temporarily restricted cash (acct. 2-1000) to unrestricted cash (acct. 1-1000) to reconcile overdrawn cash accounts. The transfer does not impact the purpose or the use of funds. Each fund, such as the Iris Spencer Poetry Award Fund, was established based upon the nature and purpose of the use of monies within that fund.
- The six other transfers which represented transfers between the temporarily restricted and unrestricted cash accounts were also within the same funds.
- It is our understanding that within the fund, regardless of the cash account classification, funds are already in accordance with the nature and purpose of the particular activity. As the transfers are within the same funds, there is no impact to WCUF.

IV. Analysis of Transactional Activity – WCUF Expenditures – Account Reclassification Outflows



Candor. Insight. Results.

> ***Risks Identified***

- If there is a failure to maintain the appropriate support and documentation to substantiate transfers within WCUF funds for the benefit of the Poetry Center and Poetry Conference, there is risk that the amounts transferred could represent previously donated funds intended for a specific purpose that is not preserved through the transfer.
- Due to the fact that the appropriate documentation was maintained and that all of the transfers analyzed were within the same funds, this does not appear to be a risk for WCUF.

> ***Recommendations***

- None.
- Based upon our analysis and review of documentation maintained, we were able to appropriately substantiate and justify the transactional activity analyzed.

V. Poetry Center Transactions between WCU and WCUF



Candor. Insight. Results.

> **Objective**

- Throughout the Period, Poetry Conference participant registration fees and donations were received by WCU and WCUF.
- Our objective was to test the appropriateness of the Poetry Center transfers between WCU and WCUF and verify that the amounts recorded were proper.

V. Poetry Center Transactions between WCU and WCUF



Candor. Insight. Results.

> Overview

- We analyzed the Poetry Center transfers between WCU and WCUF's general ledger activity related to the Poetry Center.
- We identified 13 cash outflows from WCUF to WCU related to the Poetry Center, as summarized by fiscal year:

Summary of the Poetry Center Transactions between WCU and WCUF

Fiscal Year	Number of Selections	Amount
2011-12	2	\$ 3,590
2012-13	4	13,985
2013-14	3	4,348
2014-15	4	12,792
Total	13	\$ 34,715

V. Poetry Center Transactions between WCU and WCUF



Candor. Insight. Results.

> **Overview**

- We requested from WCU and WCUF to:
 - > Identify all other the Poetry Center transactions between WCU and WCUF during the Period beyond the 13 transfers initially identified; and
 - > Provide documentation to substantiate the nature, purpose and appropriateness of all transfers identified.
- WCU was not able to identify any additional transfers beyond the original 13 identified.
- WCUF identified two additional Poetry Center transfers from WCUF to WCU totaling \$48,237. One of these transfers, totaling \$48,107 was outside the Period for this engagement. We were unable to identify the other transfer for \$130 in WCU's general ledger. We believe the transaction was part of a batch journal entry.
- We analyzed the supporting documentation for the 13 transfers to verify that the disbursements from WCUF to WCU were properly recorded and accounted for the benefit of the appropriate Poetry Center operations.

V. Poetry Center Transactions between WCU and WCUF



Candor. Insight. Results.

> **Observations**

- WCU provided the following documents to substantiate the transfers. This documentation was **not sufficient** to substantiate the appropriateness of the transfers.
 - > Internally generated general ledger reports; and
 - > Internally generated department receipts reports.
- WCUF provided sufficient documentation to substantiate the appropriateness of the transfers, including the following:
 - > A copy of the disbursement authorization form;
 - > A copy of the invoice, when applicable; and
 - > A copy of the canceled check.

V. Poetry Center Transactions between WCU and WCUF



Candor. Insight. Results.

> **Observations (continued)**

- We identified two instances in which appropriate documentation was not maintained to support the transfers, as well as evidence of limited oversight by the Poetry Center over the financial activities, specifically:
 - > Disbursement from WCUF to WCU for the Poetry Center totaling \$2,241. See **Handout 20**.
 - WCU was not able to identify the specific \$2,241 transfer from WCUF in their general ledger. We were unable to obtain any support from the Poetry Center substantiating the disbursement received.
 - The documentation provided by WCUF does not include invoice or other third party documentation for \$495 of the total disbursement.
 - > A disbursement from WCUF totaling \$12,700 to WCU contained documentation that resulted in a reimbursement that exceeded the expense by \$135. See **Handout 21**.
 - The documentation provided by WCUF appropriately substantiated the transfer.

V. Poetry Center Transactions between WCU and WCUF



Candor. Insight. Results.

> ***Risks Identified***

- By not maintaining the proper documentation such as copies of canceled checks, deposit slips, invoices, receipts, etc., funds intended to benefit the Poetry Center could be allocated inappropriately or misappropriated.
- The lack of oversight, accountability and documentation available to support the funds flowing from WCUF to WCU could lead to unsubstantiated and unauthorized transactions.

> ***Recommendations***

- We recommend that the Poetry Center create the appropriate documentation to support the nature, purpose and appropriateness of all funds transferred between WCU and WCUF.

VI. Storyline Press Analysis



Candor. Insight. Results.

> **Background**

- It is our understanding that Story Line Press (“SLP”) became associated with the Poetry Center as a non-profit organization in 2008 for the purpose of creating and publishing poetry books.
- On October 25, 2010, WCUF entered into an agreement with SLP to provide staff support for SLP operations, as well as to provide gift processing and gift receipting services.
 - > Specifically, Mr. Peter Duval (“Mr. Duval”), the spouse of Dr. Bridgford, was hired by WCUF under this agreement to operate and manage SLP. Throughout his employment, which was terminated in December 2011, Mr. Duval received wages totaling approximately \$67,800 from SLP.

VI. Storyline Press Analysis



Candor. Insight. Results.

> **Background (continued)**

- Given the relationship between the Director of the Poetry Center (i.e., Dr. Bridgford) and SLP personnel (i.e., Mr. Duval), we tested the transactional activity of SLP to understand the appropriateness of the activity.
 - > “Transactions involving related parties cannot be presumed to be carried out on an arm’s-length basis, as the requisite conditions of competitive, free-market dealings may not exist.”*
- WCU and WCUF held accounts and processed gifts for SLP.

*FASB Codification 850-10-50.

VI. Storyline Press Analysis



Candor. Insight. Results.

> ***Support Provided and Observations***

- We obtained and analyzed the SLP transaction history maintained at WCU and WCUF during the Period. We selected transactions from the general ledger activity based on dollar amount and description. We requested documentation from both WCU and WCUF's general ledger activity to support the nature and appropriateness of the transactions.
 - > We were provided copies of the checks and evidence of the donor's intent to ensure that the receipt was properly recorded to the SLP general ledger for all revenue transactions tested.
 - > We were provided invoices, evidence of approvals and copies of canceled checks for all operating expenditures analyzed.
- Furthermore, we obtained a copy of the Pay Pal account held by SLP that was set up for collecting payments for book sales. We verified that all of the transactions analyzed were properly recorded on the general ledger. We determined that all of the receipts and disbursements analyzed were appropriately supported.

VI. Storyline Press Analysis



Candor. Insight. Results.

> ***Risks Identified***

- The existence of related parties presents financial and operational risks.
- It is our understanding that as the former Poetry Director, Dr. Bridgford had the authority to allocate donations at her discretion. As a result, there is a heightened risk that she could potentially allocate funds to SLP, which would benefit her husband.

> ***Recommendations***

- We recommend that WCUF implement a policy of requiring secondary approvals over donations received that are not intended for a specific purpose.

VII. Women's Leadership Summit Analysis



Candor. Insight. Results.

> **Overview**

- It was brought to our attention during our fieldwork that Dr. Bridgford had organized a Woman's Leadership Summit ("WLS") that was scheduled for November 21 through November 23, 2014. The event was canceled on October 27, 2014.
- WCU and WCUF knew very little about the Poetry Center's WLS event until:
 - > Participants began to request refunds for their participant registration fees; and
 - > CAS assumed responsibility for paying the venue's cancellation fee of \$3,148.
- We requested support for the booking of the facility for the conference, the cancellation fee and the refunds of participant fees that were issued by the Poetry Center related to the event.
- See **Handout 22**.

VII. Women's Leadership Summit Analysis



Candor. Insight. Results.

> ***Support Provided and Observations***

– **Rental of Facility**

- > Based upon review of email correspondence, it appears that Dr. Bridgford signed the agreement to rent the facility, even though she was not authorized to do so and without first obtaining approval by WCU's Purchasing Department.
- > When the event was cancelled, CAS was required to pay \$3,148 to satisfy the venue's cancellation fee.

– **Registration Fees and Refunds**

- > Registration fees for the event were processed by WCU.
- > WCU was able to identify four registrants to whom refunds were made. However, WCU was only able to identify two of the original deposits in their records.
- > As a result, \$280 was issued to registrants as refunds for amounts that are not verified to have ever been initially deposited.

VII. Women's Leadership Summit Analysis



Candor. Insight. Results.

> ***Risks Identified***

- The failure of the Poetry Center to appropriately track participant registration fees led to WCU's inability to determine whether the correct amount of revenue was collected for the event.
- WCU was also exposed to the risk of misappropriation of participant registration fees.
- The lack of oversight surrounding this vendor agreement exposed WCU to an unfavorable financial obligation when the summit was later canceled.

VII. Women's Leadership Summit Analysis



Candor. Insight. Results.

> **Recommendations**

- A registration log should be maintained, reviewed and approved prior to any event taking place.
- All receipts for participant fees should be reconciled to the registration log prior to the event.
- Registration records should be maintained to support that the correct and complete amount of participant registration fees are received. Additionally, registration records should be maintained, in the event refunds are requested, to ensure the appropriate amount is refunded.
- We recommend that the process of collecting participant registration fees be centralized at WCU's Office of Conference Services to ensure that there is the appropriate level of accountability for the participant registration fees.

VIII. Grant From CAS to the Poetry Center



Candor. Insight. Results.

> **Overview**

- On September 25, 2012, Dr. Lori Vermeulen (“Dr. Vermeulen”), the Dean of CAS, issued a letter indicating that CAS would provide the Poetry Center with a one time grant of \$30,000 to help alleviate the deficit at the time of \$21,750 (see **Handout 23**). This grant was to be applied as follows:
 - > \$5,309 – 3 credits summer salary for Director (i.e., Dr. Bridgford) (for summer 2012); and
 - > \$24,691 – transfer of funds to Center’s University Account (i.e., Poetry Center account).
- This funding was not reflected in the Poetry Center’s financial activity.
- This grant was provided in addition to the support that CAS historically provided:
 - > Funding for 9 hours of alternative work assignment to support the Director (i.e., Dr. Bridgford); and
 - > Funding for salary and benefits for the Center’s Associate Director (i.e., Ms. Smith).

VIII. Grant From CAS to the Poetry Center



Candor. Insight. Results.

> **Observations**

- The documentation provided to us indicates that the CAS grant was actually applied as follows:
 - > \$5,309.13 – three credits of summer pay for the Director (i.e., Dr. Bridgford).
 - This activity was substantiated with internally-generated journal entry report.
 - **Note:** This amount is \$0.03 more than the amount indicated in the letter from Dr. Vermeulen.
 - > \$24,039.55 – Rather than distributing the funds directly to the Poetry Center, CAS instead paid the outstanding invoice that the Poetry Center owed to Conference Services for reimbursement of expenditures related to the 2012 Poetry Conference.
 - This activity was substantiated with the invoice from Conference Services and the related internally-generated journal entry report.
 - **Note:** This amount is \$651.35 less than the amount indicated in the letter from Dr. Vermeulen.
- Thus, the documentation indicates that the funds distributed from CAS to the Poetry Center totaled \$29,348.68, or \$651.32 less than the \$30,000 indicated in the letter from Dr. Vermeulen.

VIII. Grant From CAS to the Poetry Center



Candor. Insight. Results.

> **Risks Identified**

- There is a risk that the Poetry Center may require additional funding in the future if their revenues and expenditures are not sufficiently managed.
 - > Based upon our review of the financial activity, it is evident that the Poetry Center expended more than they received to finance the Poetry Conference in the past (i.e., significant deficits within the following funds from FY10-12: Poetry Conference Gifts, Ahmanson Poetry Conference, Poetry Center, and Iris N. Spencer Poetry Award).
- The lack of oversight and accountability for the management of funds associated with the Poetry Center and Conference exposed Poetry Center and Poetry Conference to the risk of inappropriate transactions, misappropriation of assets and violations of policy and procedures.

VIII. Grant From CAS to the Poetry Center



Candor. Insight. Results.

> ***Risks Identified (continued)***

- There is a concern regarding the fact that the final value of the grant or funds distributed from CAS to the Poetry Center was never verified or approved. It was not readily apparent that the final value disbursed to the Poetry Center was not in fact \$30,000, but was actually \$651.32 less, or a total of \$29,348.68. We were not provided with documentation evidencing that this difference was authorized.

VIII. Grant From CAS to the Poetry Center



Candor. Insight. Results.

> ***Recommendations***

- We recommend that WCU engage in a more thorough planning and budgeting process over the Poetry Center. We recommend that this budget reflect reasonably expected revenue figures and anticipated expenditures for the operations.
- Additionally, we recommend that all transactions, including inter-organization transfers, be sufficiently and appropriately documented with signature approval.

IX. Revenue and Expense Analytics



Candor. Insight. Results.

> **Objective**

- The data analytics were structured to provide an overview of the financial activities surrounding the Poetry Center’s operations during the Period. The data analytics were another forensic tool that provide an additional level of financial performance to complement our individual transactional activity analysis.
- We analyzed the year-over-year fluctuations of the Poetry Center’s financial activity recorded at WCU and WCUF. We selected revenue and expense line item fluctuations and requested that WCU and WCUF provide explanations of the year over year changes.

IX. Revenue and Expense Analytics – WCU – Revenue Analysis



Candor. Insight. Results.

> Overview

- The following represents the Poetry Center’s revenue items listed in WCU’s general ledger fund activity that we identified as exhibiting significant fluctuations during the Period.

Summary of Significant Revenue Fluctuations

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
431000 - Gifts And Bequest	\$ 3,691	\$127	\$3,586	\$ -	\$-	\$-	\$7,404
452100 - Interest Income	3,912	1,974	493	106	288	492	7,265
469441 / 479000 – Conf. / Workshops / Misc. Rev.	66,582	20,927	72,951	132,598	122,686	2,524	418,267
Revenue Selections Total	\$74,186	\$23,028	\$ 77,031	\$132,704	\$122,974	\$3,015	\$432,937

- WCU only provided brief written explanations to substantiate the Poetry Center fluctuations.
- The following slides will provide an overview of the explanations we received.

IX. Revenue and Expense Analytics – WCU – Revenue Analysis



Candor. Insight. Results.

> **Gifts and Bequest**

- We noted that Gifts and Bequest revenue increased by \$3,459 from FY11 to FY12 and had no other financial activity beyond these years.

Summary of Gifts and Bequest

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
431000 - Gifts And Bequest	\$ 3,691	\$127	\$3,586	\$ -	\$-	\$-	\$7,404

- WCU explained that the decrease identified in FY11 is due to the fact that that all gifts beginning in FY11 were process by WCUF.
- WCU explained the that increase between FY11 and FY12 was due to a gift that was processed by WCUF for \$3,440 and transferred to the Poetry Center’s operations. We confirmed this transfer was appropriately documented on both WCU and WCUF’s financial records.

IX. Revenue and Expense Analytics – WCU – Revenue Analysis



Candor. Insight. Results.

> **Interest Income**

- We noted that revenue recorded to Interest Income declined beginning in FY10.

Summary of Interest Income

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
452100 - Interest Income	\$3,912	\$1,974	\$493	\$106	\$288	\$492	\$7,265

- WCU explained that the steady decrease in interest income is attributed to decreased interest rates and “a spend-down of balances” maintained in the Poetry Center funds.
- Additionally, WCU explained that interest income is not allocated to account balances less than \$5,000.

IX. Revenue and Expense Analytics – WCU – Revenue Analysis



Candor. Insight. Results.

> **Conference Workshops / Misc. Revenues**

- We noted that Conference/Workshops revenue increased significantly from FY12 to FY13 and increased again by \$68,480 from FY12 to FY13.
- We noted that revenue recorded to the Misc. Revenue commitment item decreased every year beginning in FY10, with a significant decrease of \$45,655 from FY10 to FY11.

Summary of Conference Workshops / Misc. Revenues

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
469441 / 479000 – Conf. /Workshops / Misc. Rev.	\$66,582	\$20,927	\$72,951	\$132,598	\$122,686	\$2,524	\$418,267

- WCU was **not** able to provide an explanation for these fluctuations. That remains a concern.
- It is our understanding that amounts were not recorded to this commitment item in FY15 because the Poetry Conference was cancelled this year.
- We also understand that Poetry Conference participant registration fees were recorded to both the Conference Workshops revenue line item and Misc. Revenues.

IX. Revenue and Expense Analytics – WCU and WCUF – Revenue Analysis



Candor. Insight. Results.

> **Conference Workshops / Misc. Revenues (continued)**

- We noted that WCU and WCUF collected registration fees for the Poetry Conference and other Poetry Center events during the same fiscal years. As such, we determined it appropriate to analyze the amounts in total to understand the fluctuations, as detailed in the following table.

Summary of Poetry Center Conference Workshops / Misc. Revenues – WCU and WCUF

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
WCU – Conf. / Workshops / Misc. Rev	\$66,582	\$20,927	\$72,951	\$132,598	\$122,686	\$2,524	\$418,267
WCUF –Conference Revenue	14,633	63,525	34,555	\$1,221	-	-	113,934
Total Conference Revenue	\$81,215	\$84,452	107,506	\$133,819	\$122,686	\$2,524	\$532,201

- Additionally, WCU provided the following listing of Poetry Conference participant counts:

Summary of Poetry Conference Participant Counts

Year	Number of Participants
2009	N/A
2010	240
2011	253
2012	257
2013	239
2014	167

IX. Revenue and Expense Analytics – WCU and WCUF – Revenue Analysis



Candor. Insight. Results.

> **Conference Workshops / Misc. Revenues (continued)**

- We analyzed the registration fee revenue recorded by the Poetry Center and WCUF, as well as the Poetry Conference participant count per the Poetry Center's records concurrently. We noted the following:
 - > The support provided does not offer sufficient explanation of the fluctuating revenues.
 - > It appears that the number of participants decreased between FY12 and FY13; however, the participant revenues increased.
 - > WCU and WCUF deferred to the Director of the Poetry Conference for further explanation; however, we were unable to interview the former Director, Dr. Bridgford.
- Without explanations or supporting documentation to substantiate the fluctuations identified, we have been unable to verify the completeness and legitimacy of the revenue records associated with the Poetry Conference.

IX. Revenue and Expense Analytics – WCU and WCUF – Revenue Analysis



Candor. Insight. Results.

> ***Risks Identified***

- The Poetry Center was not able to provide sufficient explanations and support to substantiate and justify the fluctuating conference revenues and interest income.
- The decentralized nature of the revenue collection process and lack of oversight leads to exposure to misappropriation of funds.
- It is important to recognize that we did not identify any misappropriation of funds.

> ***Recommendations***

- We recommend that the Poetry Center take more ownership over their revenue collection process.
- We recommend that the Poetry Center implement periodic analysis of fluctuations and document justification.

IX. Revenue and Expense Analytics – WCU and WCUF – Revenue Analysis



Candor. Insight. Results.

> Overview

- The following represents the Poetry Center’s expenditure commitment items that we identified as exhibiting significant fluctuations during the Period.

Summary of Significant Expenditure Fluctuations

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
615100 - General Travel	\$1,452	\$5,376	\$344	\$5,395	\$6,737	\$881	\$ 20,183
625250 - Credit Card Fees	-	-	-	-	1,214	-	1,214
625410 - Honoraria General	55,400	63,250	5,350	38,150	41,150	-	203,300
625420 - Stipends	1,200	4,050	4,500	10,250	3,165	-	23,165
665110 - Contractor Food Svcs	-	-	47,264	34,085	44,576	-	125,924
665130 - Other Food Supplies	33,541	29,793	-	45	6,307	-	69,686
695000 - Studnt Financial Aid	2,000	1,000	3,000	-	-	-	6,000
Total	\$122,342	\$130,519	\$ 82,461	\$117,140	\$125,108	\$15,482	\$593,052

- WCU only provided brief written explanations to substantiate these fluctuations.
- The following slides will detail the explanations we were provided.

IX. Revenue and Expense Analytics – WCU and WCUF – Revenue Analysis



Candor. Insight. Results.

> **General Travel**

- We noted that General Travel expenses decreased by \$5,033 from FY11 to FY12 and decreased again by \$5,856 from FY14 to FY15.

Summary of General Travel

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
615100 - General Travel	\$1,452	\$5,376	\$344	\$5,395	\$6,737	\$881	\$ 20,183

- WCU provided adequate explanations for the increase in travel expense between FY10 and FY11. They explained that the increase was associated with travel for specific conferences that was analyzed as part of our transactional testing.
- However, no explanation was provided for the decrease in travel expense in FY12 or the subsequent increases in FY13 and FY14.

IX. Revenue and Expense Analytics – WCU – Expenditure Analysis



Candor. Insight. Results.

> **Credit Card Fees**

- We noted that Credit Card fees were incurred in FY14. These were not recorded in any other fiscal years and indicate potential inefficiencies in accounts payable or unrecorded or improperly allocated credit card fees.

Summary of Credit Card Fees

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
625250 - Credit Card Fees	-	-	-	-	\$ 1,214	-	\$ 1,214

- WCU explained that this was “actually a mis-posting” and should have instead been recorded to the General Travel commitment item. There is concern over the fact that this transaction was never re-classified to the appropriate commitment item. Thus, the Credit Card Fee expense is overstated by \$1,214 in FY14.
- This transaction was included within our analysis of transactional activity. We noted that the expense reimbursement was appropriately substantiated with an approved payment request form, receipts, and a copy of the cancelled check issued to Dr. Bridgford.

IX. Revenue and Expense Analytics – WCU and WCUF – Expenditure Analysis



Candor. Insight. Results.

> **Honorariums**

- It is our understanding that the honorarium expenses associated with the Poetry Center and Poetry Conference were recorded at WCU and WCUF. As such, we analyzed the expenses together.
- We noted that the combined Honorarium expenditures decreased significantly from FY11 to FY12.

Summary of Honorariums – Poetry Center and WCUF

GL Account Description	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Poetry Center - Honoraria General	\$ 55,400	\$ 63,250	\$ 5,350	\$ 38,150	\$ 41,150	\$ -	\$203,300
WCUF - Honorariums	-	43,500	35,100	5,000	-	-	78,600
Total Honorariums	\$55,400	\$106,750	\$40,4503	\$43,150	\$41,150	\$ -	\$189,256

- WCU provided no explanation of the variances, and recommended that “Questioning others on campus with operational oversight of the Poetry Center and Conference may provide answers or comparing information with what the Foundation spent during these periods.”
- WCUF stated that they are “not in the position to evaluate the fluctuation of conference revenue and expenses.”

IX. Revenue and Expense Analytics – WCU – Expenditure Analysis



Candor. Insight. Results.

> **Stipends**

- We noted that Stipend expenditures increased by \$5,750 from FY12 to FY13.

Summary of Stipends

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
625420 - Stipends	\$1,200	\$4,050	\$4,500	\$10,250	\$3,165	\$ -	\$23,165

- WCU explained that “Finance staff do not know why the variances [exist]. More information may be obtained from the people on campus with operational control of the Poetry Center or the Foundation.”

IX. Revenue and Expense Analytics – WCU – Expenditure Analysis



Candor. Insight. Results.

> **Contractor Food Services / Other Food Supplies**

- We noted that expenses were not recorded as Contractor Food Services before FY12. We noted that Other Food Supplies decreased significantly after FY11.

Summary of Contractor Food Services / Other Food Supplies

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
665110 - Contractor Food Svcs	\$-	\$-	\$47,264	\$34,085	\$44,576	\$ -	\$125,924
665130 - Other Food Supplies	33,541	29,793	-	45	6,307	-	69,686
Total	\$33,541	\$29,793	\$47,264	\$34,130	\$50,883	\$ -	\$195,610

- WCU explained that, beginning in FY12, Aramark expenditures were recorded to the Contractor Food Services commitment item, rather than to Other Food Supplies. Specifically, WCU explained that they “stopped coding expenses to ‘other food supplies’” in 2012. Though, this conflicts with the fact that \$6,307 of expenditures were recorded Other Food Supplies FY14.

IX. Revenue and Expense Analytics – WCU – Expenditure Analysis



Candor. Insight. Results.

> **Student Financial Aid**

- We noted that there was no activity in the Student Financial Aid commitment item after FY12.

Summary of Student Financial Aid

Commitment Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
695000 - Studnt Financial Aid	\$ 2,000	\$ 1,000	\$ 3,000	\$ -	\$ -	\$ -	\$ 6,000

- WCU explained that financial aid was historically paid to students from the Poets Prize Fund, the Iris Spencer Poetry Awards Fund and the Donald Justice Award Fund.
- WCU also explained that due to the fact that the fund balances were “spent down,” funds have not been available to provide scholarships. This explanation is consistent with our analysis, as we noted that these three funds had lower net balances after in FY12, as indicated in the following table:

Summary of Student Financial Aid Funds

Fund Centers	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
D Justice Poetry Award	\$ 4,470	\$ (4,598)	\$ (54)	\$ (2,093)	\$ (4,330)	\$1,259	\$ (5,346)
Iris Spencer Poet Aw	8,394	7,762	(17,738)	(16,911)	2,074	-	(16,420)
Poet's Prize	1,525	(610)	(3,763)	(750)	525	-	(3,074)
Total	\$ 14,389	\$ 2,553	\$ (21,556)	\$ (19,754)	\$ (1,731)	\$ 1,259	\$ (24,839)

IX. Revenue and Expense Analytics – WCU – Expenditure Analysis



Candor. Insight. Results.

> ***Risks Identified***

- Sufficient explanations and support to substantiate and justify the fluctuating expenses associated with the Poetry Center operations was limited.
- WCU and WCUF were unable to explain the significant spike of more than \$50,000 in honorarium payments in FY11.
- There are concerns that expenses are not recorded to the appropriate commitment item and that these are not identified and rectified. See the Credit Card Fees Analysis.
- The lack of oversight and accountability for the overall spending associated with the Poetry Center and Conference year-over-year exposes WCU and WCUF to the risk of inappropriate transactions, misappropriation of assets and violations of policy and procedures.

IX. Revenue and Expense Analytics – WCU – Expenditure Analysis



Candor. Insight. Results.

> ***Recommendations***

- We recommend that the Poetry Center maintain appropriate support to substantiate their expenditures.
- We recommend that the Poetry Center implement periodic analysis of fluctuations and document justification that is reviewed with the WCU and WCUF on an annual basis.

IX. Revenue and Expense Analytics – WCUF – Revenue Analysis



Candor. Insight. Results.

> Overview

- The following represents the WCUF’s revenue account items that we identified as exhibiting significant fluctuations during the Period.

Summary of Significant Revenue Fluctuations – WCUF

GL Account Description	GL Account Number	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Net Total
Conference Revenue	1-4750	\$ -	\$63,755	\$34,555	\$1,221	\$ -	\$ -	\$99,531
Conference Revenue	2-4750	-	(115)	-	-	-	-	(115)
Conference Revenue	4397FN	14,633	(115)	-	-	-	-	14,518
Conference Revenue Subtotal		\$14,633	\$63,525	\$34,555	\$1,221	-	-	\$113,934
Temporarily Restricted Gift Rev	2-4319	-	9,292	43,347	19,017	23,163	497	95,316
Temporarily Restricted Gift Rev	4319FN	11,461	(439)	-	-	-	-	11,022
Temporarily Restricted Gift Rev Subtotal		\$11,461	\$8,853	\$43,347	\$19,017	\$23,163	\$497	106,338
Total Revenue		\$26,094	\$72,378	\$77,902	\$20,238	\$23,163	\$ 497	\$220,272

IX. Revenue and Expense Analytics – WCUF – Revenue Analysis



Candor. Insight. Results.

> **Observations**

- We noted the following significant fluctuations in WCUF’s revenue accounts during the Period:
 - > Conference Revenue increased substantially by \$48,892 from FY 2010 to 2011 before declining after 2012.
 - > Temporarily Restricted Gift Revenue recorded to both accounts (2-4319 and 4319FN) increased significantly by \$34,494 from FY 2010 to FY 2012 and then decreased by \$22,665 from FY 2014 to 2015.
- WCUF explained that they were “not in a position to evaluate the fluctuation of conference revenue or expenses.”
- No other supporting documentation was provided.

IX. Revenue and Expense Analytics – WCUF – Revenue Analysis



Candor. Insight. Results.

> ***Risks Identified***

- WCUF was not able to provide sufficient explanations and support to substantiate and justify the fluctuating revenues related to the Poetry Center and Poetry Conference that we identified during the Period.
- The decentralized nature of the revenue collection process and lack of oversight can allow a misappropriation of funds.
- It is important to recognize that we did not identify any misappropriation of funds.

IX. Revenue and Expense Analytics – WCUF – Revenue Analysis



Candor. Insight. Results.

> ***Recommendations***

- We recommend that the Poetry Center maintain appropriate support to substantiate their expenditures.
- We recommend that the Poetry Center implement periodic analysis of fluctuations and document justification that is reviewed with the WCU and WCUF on an annual basis.

IX. Revenue and Expense Analytics – WCUF – Expenditure Analysis



Candor. Insight. Results.

> Overview

- The following represents the WCUF’s expenditure account items that we identified as exhibiting significant fluctuations during the Period.

Summary of Significant Expenditure Fluctuations – WCUF

GL Account Description	GL Account Number	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Net Total
Honorariums	1-7575	\$ -	\$38,500	\$35,100	\$5,000	\$ -	\$ -	\$78,600
Honorariums	7620FN	-	5,000	-	-	-	-	5,000
Honorariums Subtotal		\$ -	\$ 43,500	\$ 35,100	\$ 5,000	\$ -	\$ -	\$ 83,600
Meals & Entertainment	1-6120	-	26,576	6,093	6,676	5,507	-	44,853
Meals & Entertainment	6611FN	16,259	4,420	-	-	-	-	20,679
M&E Subtotal		\$ 16,259	\$ 30,996	\$ 6,093	\$ 6,676	\$ 5,507	\$ -	\$ 65,531
Travel	1-6130	-	5,497	30,570	753	853	-	37,673
Travel	6059FN	1,089	1,363	-	-	-	-	2,452
Travel Subtotal		\$ 1,089	\$ 6,859	\$ 30,570	\$ 753	\$ 853	\$ -	\$ 40,125
Total Expenditures		\$17,348	\$81,356	\$71,763	\$12,430	\$6,360	\$ -	\$189,256

IX. Revenue and Expense Analytics – WCUF – Expenditure Analysis



Candor. Insight. Results.

> **Observations**

- We noted the following significant fluctuations in WCUF's expenditure accounts during the Period:
 - > Meals and Entertainment recorded to both accounts (1-6120 and 6611FN) increased by \$14,737 from FY10 to FY11 and decreased by \$24,903 between FY11 and FY12.
 - > Travel recorded to both accounts (1-6130 and 6059FN) increased by \$23,711 between FY11 and FY12 and decreased \$29,817 between FY12 and FY13.
- WCUF's responsibility related to the Poetry Center and Poetry Conference was to act as a depository for funds received. WCUF was "not responsible to oversee the Poetry Center, nor to direct from which funds to make disbursements or deposits." Accordingly, WCUF explained that they were "not in a position to evaluate the fluctuation of conference revenue or expenses."

IX. Revenue and Expense Analytics – WCUF – Expenditure Analysis



Candor. Insight. Results.

> ***Risks Identified***

- Sufficient explanations and support to substantiate and justify WCUF's fluctuating expenditures associated with the Poetry Center and the Poetry Conference were not provided.
- The lack of oversight and accountability for the overall spending associated with WCUF's expenditures related to the Poetry Center and Conference year-over-year exposes WCUF to the risk of inappropriate transactions, misappropriation of assets and violations of policy and procedures.

IX. Revenue and Expense Analytics – WCUF – Expenditure Analysis



Candor. Insight. Results.

> ***Recommendations***

- We recommend that the Poetry Center maintain appropriate support to substantiate their expenditures.
- We recommend that the Poetry Center implement periodic analysis of fluctuations and document justification that is reviewed with the WCU and WCUF on an annual basis.