



February 26, 2020

President Katricia Pierson  
East Central University  
1100 E 14<sup>th</sup> St.  
Ada, OK 74820

Dear President Pierson:

We were engaged to assist the University in addressing specific allegations and concerns regarding the collection and deposit of certain student and activity account funds. We reviewed documentation provided to us by the University from their own initial review, conducted interviews, and reviewed additional documentation to provide support for our findings, which are disclosed by area below.

Information initially provided to us by the University indicated a concern with the following areas being of the highest risk of potential misappropriation:

- Payments received by the Bursar Office – Manipulation of posting date of activity
- Payments on Student Accounts – Voided/reversed payments
- Composition of Daily Deposits
- Athletic Events Deposit Amounts

The results of our tests indicate a known misappropriation of funds in the amount of \$89,565.07 related to payments received by the Bursar's Office and the manipulation of student accounts, and an estimated misappropriation of athletic event cash of \$9,200.00, for a total of \$98,765.07. The following represents further detail regarding the tests performed and the results obtained.

#### **Payments received by the Bursar Office**

Our initial test included a review of all activity posted in the Jenzabar JX system, the accounting system and ledger utilized by the University and the Bursar office to record activity such as cashier receipting and student account balances. We obtained from the JX System CH Journals (cashier receipting journals) for the period of July 1, 2019 through November 14, 2019, which included 150 CH Journals. Our tests included a review of the detail of each journal in order to identify any reversals or voids, a comparison of the amount to be deposited from the journal to the actual bank detail (including check images obtained from the bank) and student account history detail for any items identified for further inquiry.

Based on these initial tests, we were unable to account for \$89,565.07 of cash and check activity that was initially reported as received in the Jenzabar JX system but not subsequently deposited in the bank. Additional detail regarding this amount is outlined below.

Returned Cash and Checks

Subsequent to the Bursar being placed on administrative leave in mid-November 2019, the Bursar returned \$13,831 of cash and \$206,547 of checks to the Office of the Executive Vice-President of Administration and Finance. These amounts were subsequently deposited on November 22, 2019 with an additional \$2,500 of unaccounted for cash that was identified while performing a surprise cash count on November 14, 2019. As part of our initial tests, we reconciled the activity deposited on November 22, 2019 to the associated CH journals. We were able to perform the reconciliation due to the assistance of the Oklahoma State Treasurer's office which provided to us detailed bank images which allowed for a reconciliation to the detail initially posted to the Jenzabar JX system (CH Journal detail). As a result of this reconciliation process, we identified six CH Journals that comprised the deposited amount and two additional deposits on November 1, 2019, and November 4, 2019 which comprise the CH Journal activity. The total activity from the deposits associated with payments in the form of checks totaling \$279,878.85 reconciled with all JX CH journal activity identified as checks, and therefore agreed to the total of the three deposits for the checks. However, for the associated JX CH Journals below that included cash of \$78,691.20, only \$20,647.23 was deposited in the bank, as identified in the table below:

<u>Journal Number &amp; Date</u>	<u>Recorded Cash</u>	<u>Recorded Checks</u>
JX CH Journal:516508 08/05/2019	\$ 2,213.10	\$ 3,894.00
JX CH Journal:532002 09/17/2019	9,063.65	44,041.97
JX CH Journal:539004 10/07/2019	14,880.80	35,403.83
JX CH Journal:548001 10/31/2019	10,288.55	105,930.56
JX CH Journal:549007 11/04/2019	13,313.25	61,459.87
JX CH Journal:551504 11/11/2019	<u>28,931.85</u>	<u>29,148.62</u>
 JX - CH Journal Total	 78,691.20	 279,878.85
 Bank Deposit - Cash:		
11/1/2019	3,487.95	24,322.45
11/4/2019	828.28	49,009.40
<b>11/22/2019</b>	<b><u>16,331.00</u></b>	<b><u>206,547.00</u></b>
Cash/Checks (\$) Deposited in Bank	<u>20,647.23</u>	<u>279,878.85</u>
 Cash/Checks (\$) not Deposited in Bank	 <u>\$ 58,043.97</u>	 <u>\$ -</u>

The above amount of \$58,043.97 of cash not deposited in the bank is a significant portion of the total unaccounted for funds of \$89,565.07, with additional explanations of the remaining amount not deposited below.

Outstanding Student Balances posted to General Ledger Expense Accounts

Upon a review of student accounts associated with the unaccounted for funds of \$89,565.07; we noted instances in which various student account history reports would show a reduction in the University’s receivable or amount owed by the student with an offset entry to the “Higher One” expense account rather than an offset entry to a payment on the students account. Per discussion with East Central University staff, the use of this “Higher One” expense account to offset a student’s payment of their amount owed to the University is considered an improper and manipulative use of the “Higher One” general ledger expense account.

Student:	Cash Reversed - Amount	HigherOne Expense
1	\$ 493.50	\$ 493.50
2	1,000.00	1,000.00
3	1,000.00	1,000.00
4	2,215.00	2,215.30
5	1,858.50	1,900.00
6	2,197.45	2,197.45
7	1,604.70	1,604.70
Total	\$ 10,369.15	\$ 10,410.95

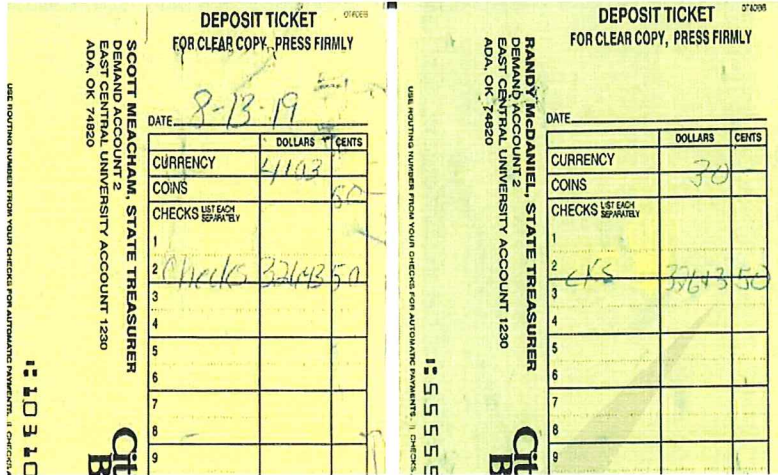
As an additional illustrative example of the above identified items, the University received two payments of cash associated with Journal Number 519508 (Students #4 & #5 above) in the amounts of \$2,215.00 and \$1,858.50, for a total of \$4,083.50. These payments were received and reversed within Journal Number 519508 on August 13, 2019. Example entry:

Entry # 2	Debit description	Credit description	Debits	Credits
Accept Payment on Student Account Reversed	Cashier 3 (Cash)	Payments	\$2,215.00	\$2,215.00

Subsequently, these accounts were then posted to the previously described general ledger expense account, “Higher One Return Account”, with Journal Number 551508 and 551509 on November 11, 2019. Example entry:

Journal number: 551508 (SA)	Entry # 1	Debit description	Credit description	Debits	Credits
	Enter/Adjust Manual Charges	Higher One Return Account	Payments	\$2,215.30	\$2,215.30

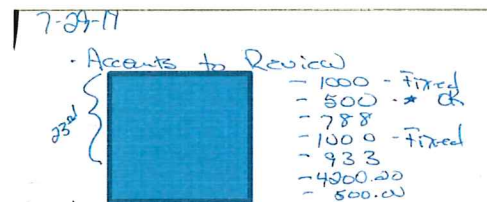
With this particular example, while reviewing documentation to support the activity, we located two separate deposit slips indicating two different amounts of cash in the amounts of \$4,103.50 and \$30.00,



respectively, for Journal Number 519508. Comparison of the two deposits slips to the daily cashier balancing sheet, which was evidenced, signed off and approved by two separate cashiers, noted one deposit slip indicating the amount of cash to be deposited in the bank of \$4,103.50, while the other showed only \$30 of cash to be deposited, a difference of \$4,073.50. While comparing to bank support detail, we noted cash

was deposited only in the amount of \$30.00. The variance of \$4,073.50 between the two cash amounts reported on the deposit slips is equivalent to the amounts reversed for Students #4 & #5. This appears to indicate that the cashier did receipt and balance their drawer at the end of the business day to an amount of cash to be deposited of \$4,103.50, but only \$30.00 was actually deposited and supported by bank records.

Further discussion by University staff about the potential manipulation of student accounts with the Brian Hampton, the Bursar who was on administrative leave at that time, is what lead to him providing to the University a personal notepad that included a listing of 7 accounts labeled "Accounts to Review", detailing student accounts that agree to what had been identified in our tests as Student Accounts reversed and subsequently posted to the Higher One Expense Account. It notes two accounts "Fixed" which correlate to Students #2 and #3 in the table above.



As mentioned previously, the posting of a student's payment of amounts owed to the University to a general ledger expense account is improper and manipulative as it removes any outstanding balances owed from the students' accounts and does not impact the month-end cash reconciliation performed by the Controller of East Central University.

### Student payments reversed – remaining amounts

Of the amounts noted from tests performed related to student accounts, we noted a total of \$21,151.95 which consists of cash amounts \$4,161.15 and check amounts of \$16,990.80 that were part of nine Journal Numbers. A portion of this amount was listed in the “Accounts to Review” noted in the Bursars notepad noted above, and included the \$4,200 and \$500 related to Journal Number 514016, both indicated in the accounting system as being cash payments that were reversed. The amounts of \$788 and \$933, which also were amounts listed in the “Accounts to Review” Bursar notepad and both part of Journal Number 512002, indicated in the accounting system that they too were cash payments that were reversed. Upon review of bank deposit detail, the amounts associated with these two journals (\$6,421) could not be identified as being deposited, in addition the remaining journals, not listed in the “Accounts to Review” note, also could not be located or identified as being deposited with the bank. These accounts primarily report outstanding balances for the amounts identified as being reversed.

### Composition of Daily Deposits for the East Central University

Each University cashier is responsible for balancing their assigned cash drawer at the end of each day to the amounts received in the accounting system. This is performed and evidence by the preparation and approval of the “Cashier Balance Sheet” form. This form assists in determining the amounts of cash and checks to be deposited and requires a secondary review and signature in order to verify the agreement of amounts received with the activity and calculations performed by the cashier. We reviewed the “Cashier Balance Sheet” forms for each cashier and compared the information reported to receipt data from the JX system, the bank, the bank deposit slips, and the detail of bank deposits provided by the State Treasurer’s Office for each business day for the period of July 1, 2019, through November 14, 2019. The objective of this test was to verify the check and cash composition of each day’s deposits and to identify any indications of manipulations or discrepancies related to the amounts collected and recorded by the cashier and what ultimately was deposited in the bank. Based upon our review, the check information provided by the bank agreed to cashier activity recorded as check payments for the time period of July 1, 2019, through November 14, 2019. However, as described above, there were noted delays in the deposit of checks. Also noted, was of the 150 journals reviewed, 17 journals had corresponding “Cashier Balance Sheet” forms that had only one signature when the University’s policy requires two signatures, an additional 10 journals where the corresponding “Cashier Balance Sheet” forms could not be located, 2 more journal sheets that were only signed by Brian Hampton, the Bursar at the time, and 2 other journals where the corresponding “Cashier Balance Sheet” forms did not have either of the two required signatures.

### Athletic Events – Deposit Amounts

While performing a surprise cash count on the day the Bursar was placed on administrative leave, the University’s football game ticket boxes kept in the safe were counted and discrepancies uncovered. Although both boxes balanced to the supporting sheets within each cashier box, it was noted that one of the sheets was for a home game prior to the last game of the year. When the cashiers and Assistant Bursar were asked about this, they did not understand how that could be possible since both boxes were used for the last game of the year.

During the interviews of Brain Hampton, he had indicated that he utilized football game ticket sales revenue to help make-up cash portions of some deposits that he had misappropriated the funds. Upon review of ticket stubs subsequently located by ECU staff, it appears there was approximately \$15,690 of tickets sold during the year for all University home games. With the University only being able to account for \$6,490 actually being deposited from the ticket sales, there remains approximately \$9,200 of unaccounted for ticket revenue being reported in the University's accounting system or deposited in the bank. Upon review of the last three years of football game ticket revenue, the home games generated on average \$25,668 in revenue with the lowest revenue total being \$23,324 two years prior to the current football season which is also the last season with five home games similar to the University's current year football season schedule. Based on this comparison, the University has determined that the \$15,690 is a conservative value for an estimate of current year football revenue in total.



We would like to express our appreciation for all the courtesy and assistance we received from staff during our work at the University and hope that this report will be of benefit to the University's management.

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