

UNIVERSITY OF NEVADA, RENO
EXTENDED STUDIES
Internal Audit Report
July 1, 2010 through June 30, 2011

GENERAL OVERVIEW

The Extended Studies division at the University of Nevada, Reno (UNR) is the entrepreneurial unit of the university. Extended Studies offers a variety of credit and non-credit courses in professional development, gaming management, and other subjects. The division also offers youth, music, and sports camps and oversees the Fleischmann Planetarium and Science Center. During the 2010-11 fiscal year, academic courses and programs offered through Extended Studies generated over \$11 million in revenue. The Extended Studies offices are located on the main campus in the Continuing Education building and at the Redfield campus in south Reno. Individuals must register and pay for courses, programs, and camps through the Extended Studies offices. An internal computer application is used by the division that is designed to handle the development, management, registration and billing of its various programs.

This review was focused primarily on the professional development and gaming management programs. Of the total revenue figure mentioned above, approximately \$1.5 million was generated from these programs.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of Extended Studies for the period of July 1, 2010 through June 30, 2011.

The scope of our review included tests of the accounting records and other procedures as we considered necessary. The tests included, but were not necessarily limited to, these areas.

1. Testing controls over the receipt and deposit of funds received from business activities.
2. Reviewing course files for adequate documentation.
3. Testing expenditures for reasonableness, supporting documentation, and proper approval.
4. Reviewing controls over long-distance telephone and cellular telephone charges.
5. Reviewing leave records, timesheets, and contracts for proper completion and approval.
6. Examining equipment inventories for proper accountability.
7. Reviewing employee access to the mainframe applications and the internal computer application that is used by the division.

In our opinion, we can be reasonably assured that Extended Studies is operating in a satisfactory manner. However, implementation of the following recommendations would further improve operations.

CONTRACTS

Contracts are negotiated by the Extended Studies division to provide instructional services to organizations and businesses. We were informed there were seven such agreements that were active during the audit period. Copies of the contracts were obtained and reviewed for content and adherence to the Nevada System of Higher Education (NSHE) contract policy. The following exceptions were noted.

1. Two contracts did not list the Board of Regents as the contracting party.
2. One contract was not signed by the university.
3. One contract was not fully executed by the university until after the start of the contract period.

4. One contract included a hold harmless clause that was not in compliance with NSHE policy. The clause states the university would hold the contracting party harmless but does not extend the same provision to the university.
5. Two contracts were not signed by an authorized university employee. In addition, one of the contracts was open ended but was not forwarded to the Chancellor for signature.

For items one through five above, we recommend contracts be reviewed for proper format and that they be forwarded to the proper university authority for signature in accordance with NSHE contract policy. We also recommend contracts be signed by all parties before the commencement of work or services.

Institution Response

Correction: One contract was revised to correct the errors mentioned in the audit. The revised contract was signed by the appropriate authority on October 10, 2011. The other six contracts have since expired and no further action will be taken on them. All future contracts will be reviewed and submitted to the appropriate office for approval and processing. We have reviewed the procedures for contracts and the importance of compliance with Extended Studies staff during a staff meeting on January 13, 2012.

Prevention and Monitoring: All future contracts will comply with procedures and are subject to quarterly audit by the Director for Management and Executive Development Programs and/or the accounting staff.

In addition to the items noted above, we also noted that one of the seven contracts involved courses taught by an outside vendor in a foreign country. The courses were included in the Extended Studies gaming program. According to the contract terms, the vendor was to provide a participant list to Extended Studies at the conclusion of each course. At this time, a certificate was to be issued to each participant by the division. In return, Extended Studies was to receive \$50 from the vendor for each participant that was issued a certificate.

As a result of the enrollment in these courses, we were informed Extended Studies was due \$5,750 from the vendor. These fees, however, were not paid. Instead, the fees were used as

trade to cover the vendor's instruction costs for teaching another course that was unrelated to those discussed in the above contract. The contract did not mention the trade and there was inadequate documentation in Extended Studies' files to show the department received \$5,750 in instruction services. In addition, because the courses discussed in the contract were held in a foreign country and were arranged by the vendor, Extended Studies had limited involvement and could not provide verification that the courses actually occurred.

We recommend the department comply with the terms of written agreements. If the terms change, we recommend the changes be reflected in an addendum to the contract that is approved in accordance with NSHE policy. In future agreements such as this, we recommend that Extended Studies perform an independent verification to ensure the courses were provided and the students on the participant list attended the courses.

Institution Response

Correction: a. Extended Studies will comply with the terms of written agreements and if the terms change, the changes will be reflected in an addendum to the contract that is approved in accordance with NSHE policy.

b. In situations where courses occur that paid staff is not present, Extended Studies staff will perform independent verification to ensure courses were provided and students attended the courses. This issue has been reviewed with appropriate staff during a staff meeting on January 13, 2012.

Prevention and Monitoring: As with contracts, this verification is subject to quarterly audit by the Director for Management and Executive Development Programs and/or the accounting staff.

INDEPENDENT CONTRACTORS

Extended Studies frequently enters into agreements with independent contractors to teach courses on a one time or occasional basis. We examined a sample of 11 Independent Contractor Agreement forms and noted nine were not signed by all parties until after the contract period

began. In addition, we noted the service date and contract term recorded on one of the forms did not agree.

We recommend that greater care be taken to ensure Independent Contractor Agreement forms are accurately completed and are signed prior to the start of the contract period.

Institution Response

Correction: We are ensuring that service dates and contract terms are in agreement and that policy is followed. This issue has been reviewed with appropriate staff at a meeting on January 13, 2012.

Prevention and monitoring: Contracts are audited on a quarterly basis by the Director for Management and Executive Development Programs and/or the accounting staff to ensure compliance.

CASH CONTROLS

Extended Studies staff collects payments for course fees. We reviewed the procedures for collecting, storing, and processing the payments to determine whether adequate controls are in place. The following exceptions were noted.

1. Check and cash payments are stored in an unlocked drawer in the enrollment office until the end of each work day at which time the receipts are placed in a safe.

For proper safekeeping, we recommend receipts be stored in a locked drawer during business hours.

Institution Response

Correction: As of August 9, 2011, cash and checks are stored in a locked drawer until the end of the work day at which time the deposit is created and subsequently stored in the safe.

Prevention and Monitoring: Daily the Enrollment Manager is verifying that deposits are stored in the locked drawer and subsequently stored in the safe after business hours.

2. Cashier overages and shortages are not tracked on a daily basis.

For improved accountability, we recommend cashier variances be documented on a log each business day.

Institution Response

Correction: As of January 9, 2012, a log has been created to record any cashier variances at the end of the each day.

Prevention and Monitoring: The log is reviewed by the EXS Enrollment Operations Manager.

3. A report of voided payments and payment edits is routinely generated from the Extended Studies registration system. The report is not being reviewed by an employee that is independent from those that process payment transactions.

We recommend the payment reports be reviewed periodically by an independent employee.

Institution Response

Correction: As of December 20, 2011, voided payments and payment edits are placed into separate batches and reviewed by the accounting office on a monthly basis.

Prevention and Monitoring: The accounting manager is now reviewing, signing and dating the batches to indicate that the review has been completed.

4. Multiple employees have a key to the room where the safe is located and have also been provided the combination to the safe. Checks and cash are stored in the safe overnight.

We recommend access to the room and the safe be reviewed to determine whether it could be further restricted.

Institution Response

Correction: As of December 20, 2011, Extended Studies ordered a ‘drop box’ safe in which the deposit can be stored overnight. This safe will be received and installed by February 1, 2012. Only the Enrollment Operations Manager and the Accountant II will have access to this safe.

Prevention and Monitoring: The Enrollment Operations Manager and/or the Accountant II will review access to the safe annually or when an employee leaves to ensure the combination has been changed.

STUDENT TIMESHEETS

The timesheets of four student employees were reviewed for proper completion, accurate work hours, and compliance with the university's student employment policies. Of 73 timesheets reviewed, the following exceptions were noted.

1. On 22 occasions, students worked during their scheduled class time.
2. On three occasions, student employees did not take a half-hour meal break when their work period exceeded six hours.
3. On four occasions, overtime was not paid when a student employee worked over eight hours in a day.

For items one through three above, we recommend the department take greater care to ensure compliance with the university's student employment policies. We recommend students be reminded of the policies and that they be instructed to provide an explanation on their timesheet if they work during class time. We also recommend the employee noted in item three be compensated for the overtime.

Institution Response

a): Correction: Supervisors were reminded November 1, 2011 that student workers are not allowed to work during class. Supervisors have been directed to obtain a copy of the student's school schedule for each semester to ensure they do not schedule the student to work during classes. In the event the student works during a scheduled class period, the reason will be noted on the student's timesheet and backup documentation attached if available (i.e. email from instructor canceling the class).

b): Correction: Supervisors have been advised effective November 1, 2011 that student workers' are to take a half-hour meal break when the work period exceeds 6

or more hours. When a student worker does not take a meal period, the reason will be documented on the student's timesheet.

c): Correction: A payroll correction was submitted on October 31, 2011 to rectify the student's pay for the period of December 16-31, 2010.

Prevention and Monitoring: Effective November 1, 2011, EXS human resources manager audits student timesheets twice a month to ensure compliance. In addition, all supervisors have been given a copy of the student employment guidelines so that they understand and follow the requirements.

4. For one employee, two timesheets were not on file.

We recommend timesheets be completed and maintained.

Institution Response

Correction: Effective October 1, 2011, all student timesheets are maintained in EXS human resources office.

Prevention and Monitoring: The position responsible for submitting timesheets to the Payroll Office is making sure that a timesheet is on file for all payees.

SENSITIVE EQUIPMENT

A review of the department's sensitive equipment was performed to determine whether items listed on the department's sensitive equipment inventory report were physically present and whether other sensitive equipment items were observed that were not included on the inventory report. Of 20 equipment items reviewed, we noted one item was checked out to an employee in 2009; however, the equipment loan agreement was not approved until 2011. We were informed one other item was checked out to the same employee. An equipment loan agreement was not on file.

We recommend equipment loan agreements be completed and approved before equipment is removed from the department.

Institution Response

Correction: On August 17 2011 a loan agreement was processed for the additional item that was checked out to this employee. All the records have been updated for loaned equipment.

Prevention and Monitoring: Extended Studies IT staff and HR staffs are working together to make sure the loan agreements are completed.

VOLUNTEERS

On occasion, the Extended Studies program utilizes volunteers to speak at course sessions. We were informed seven individuals performed this duty during the audit period. In reviewing the paperwork that was completed for the seven volunteers, we noted a volunteer agreement form and a sexual harassment acknowledgement form was not on file at the Business Center North (BCN) Workers' Compensation Office for one individual. We noted a current volunteer agreement form was not on file for one other individual who performed volunteer duties in 2010. The agreement form on file was from a 2009 assignment.

We recommend a volunteer agreement form and a sexual harassment acknowledgement form be completed for each volunteer assignment and that the forms be submitted to the BCN Workers' Compensation Office, as required.

Institution Response

Correction: Effective November 1, 2011, program staff was informed that all volunteers must complete both the volunteer agreement and the sexual harassment acknowledgement form yearly. EXS human resources staff sends follow-up notifications when volunteer paperwork is received incomplete.

Prevention and monitoring: EXS human resources staff reviews the volunteer status quarterly.

TELEPHONE

We tested a sample of the department's landline and cellular telephone bills to determine whether the bills are being reviewed and approved in accordance with established policies. We also examined billings for wireless internet connection services. The following exceptions were noted.

Landline

1. Two of four bills tested were not signed and dated to indicate they were reviewed.
2. One of four bills tested was not reviewed until three months after it was made available for examination by the UNR Computing and Telecommunications Department.

Cellular

1. Two of six bills tested were not signed and dated to indicate they were reviewed.
2. Personal usage was not calculated for any of the six bills, as required for university owned cellular phones. One of the bills included abnormally high usage charges.

Internet Connection Services

1. Two of six bills tested were not signed and dated to indicate they were reviewed.

For the exceptions noted above, we recommend a monthly review of the billing reports be performed and that the reports be signed and dated by the reviewer, as required by UNR and NSHE policies. We also recommend the department comply with the university's procedures for calculating and reimbursing for personal usage on university owned cellular telephones.

Institution Response

Correction: The procedure for reviewing phone bills has been reviewed with the appropriate staff and the importance of reviewing bills in a timely manner has been emphasized. Staff members were advised to indicate personal use on the monthly bills and

reimburse the university for personal use in accordance with university policy. As of January 9th, 2012, all telephone (landline and cellular) and internet connection for laptops monthly billing reports have been reviewed, signed and dated. The billing reports are reviewed, signed and dated by users and their supervisors to ensure the review has been completed.

Prevention and Monitoring: All billing reports are reviewed, signed and dated by the Vice Provost for Extended Studies to ensure the reviews have been completed monthly. A signed copy remains on file in the accounting office.

EXPENDITURES

We reviewed 34 transactions for proper supporting documentation, approval, reasonableness, and compliance with established purchasing procedures. Of the 34 expenditures, no exceptions were noted with 31. The following exceptions were noted with the three remaining items.

1. For one travel claim reviewed, an employee was reimbursed for meals that were included with the conference registration fees.

We recommend greater care be taken to ensure reimbursement is not provided to employees when meals are included with the registration fees. We also recommend employees be reminded that meal per diem should not be requested in these situations.

Institution Response

Correction: The employee has been released from service in Extended Studies as of June 30, 2011. It is not possible to recover the inappropriate reimbursement. In a staff meeting on January 15, 2012, managers that approve travel claims reviewed procedures with employees to remind them of the policy.

Prevention and Monitoring: All travel claims are closely reviewed by the supervisors with special attention to provided meals and per diem. A random review is performed by the Accountant II to ensure compliance to university policy.

2. On two occasions, purchase orders were completed "after-the-fact", that is, after services had already been provided.

We recommend that purchase orders be completed in advance as required by NSHE purchasing guidelines.

Institution Response

Correction: During a meeting on January 13, 2012, purchasing procedures were reviewed with staff members. “After-the-fact” purchases were discussed in the training and the proper procedure will be followed in the future.

Prevention and Monitoring: All purchase transactions are reviewed by the department directors for compliance.

COURSE FILE REVIEW

We reviewed 11 course files to ensure required documentation was maintained. We noted a student sign in roster was not included in one of the files.

We recommend a sign in roster be maintained for each course.

Institution Response

Correction: A copy of the enrollment list has been placed in the course file in lieu of the missing sign in roster. On January 13, 2012, EXS staffs were reminded that a sign in roster is required for all classes.

Prevention and Monitoring: Current practice is that class files are audited as they are closed on a monthly basis by the EXS Enrollment Operations Manager.

BACKUPS

We conducted a review of the registration and billing application that is used by the Extended Studies program. We noted that data backups are not being stored offsite. We also noted there is no contingency or disaster recovery plan in place.

We recommend the department consult with the UNR Information Technology Department and determine whether the backups should be stored offsite and whether there is a need for a contingency and/or disaster recovery plan for the application.

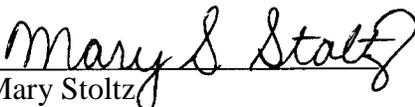
Institution Response

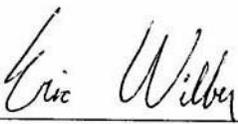
Correction: As of December 7, 2011, Information Technology now stores EXS backups offsite at the SCS computing facility in Las Vegas. Extended Studies will develop an internal disaster recovery plan and protocols by February 1, 2012.

Prevention and Monitoring: On a quarterly basis, EXS IT staff verifies the offsite backups are occurring. Once the contingency/disaster recovering plan is in place it is on a schedule to be checked annually.

The Internal Audit Department appreciates the cooperation and assistance received from the Extended Studies staff.

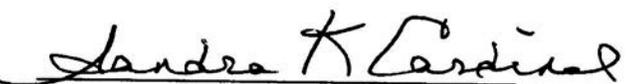
Reno, Nevada
December 2, 2011


Mary Stoltz
Senior Internal Auditor


Eric Wilber
Internal Auditor II


Grant Dintiman
Information Technology Auditor


Scott Anderson
Internal Audit Manager


Sandra K. Cardinal
Assistant Vice Chancellor for
Internal Audit



Memorandum

To: Sandi Cardinal, Assistant Vice Chancellor for Internal
Audit and Risk Management, NSHE

From: Tom Judy

Date: January 23, 2012

Subject: Audit of UNR Extended Studies

The purpose of this memorandum is to transmit responses from the UNR Extended Studies to the Audit of UNR Extended Studies covering the period July 1, 2010 through June 30, 2011.

I have reviewed and concur with all responses.

Attachments

c: Ron Zurek, Vice President Administration and Finance