

UNIVERSITY OF NEVADA, LAS VEGAS  
COLLEGE OF HOTEL ADMINISTRATION  
Internal Audit Report  
July 1, 2010 through March 31, 2011

GENERAL OVERVIEW

The William F. Harrah College of Hotel Administration offers an array of undergraduate and graduate programs, such as lodging, food and beverage, meetings and events, professional golf, and gaming management. Each program operates independently of each other except for the centralized accounting oversight provided within the College of Hotel Administration. In 2006, the college began offering its bachelor's degree program in hospitality management in Singapore, the university's first international campus. The college emphasizes real-world experience. Professors have extensive industry qualifications, and students are required to complete an internship and 1,000 related work hours to round out their experience.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the operations of the William F. Harrah College of Hotel Administration at the University of Nevada, Las Vegas (UNLV), for the period of July 1, 2010 through March 31, 2011.

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

1. Reviewing facility use agreements and applicable Certificates of Insurance.
2. Reviewing and testing controls over items loaned or donated to the William F. Harrah College of Hotel Administration.

3. Testing expenditures for propriety, supporting documentation, and proper signature approvals.
4. Reviewing controls over employee leave records and student worker timesheets.

In our opinion, we can be reasonably assured that the William F. Harrah College of Hotel Administration is operating in a satisfactory manner, and that no major control weaknesses exist. However, implementation of the following recommendations would further improve operations:

## CONTRACTS

As part of its regular business, the International Gaming Institute (IGI) contracts with outside vendors to hold various classes and seminars for a variety of groups. During our review of these activities, we noted that the contracts being used by IGI are not in a format consistent with the NSHE Procedures and Guidelines Manual. We were also not able to determine whether the standard contract had been reviewed by legal counsel.

We recommend the standard contract be reviewed and revised to include the contractual elements required by the Board of Regents policy. We also recommend the revised contract be reviewed and approved by legal counsel.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**The revised contract has been prepared and submitted to General Counsel for approval. We expect to have this process completed by March 31, 2012.**

### **Prevention & Monitoring**

**The Director of Management and Executive Education will review the contract on an annual basis to ensure continued compliance with the NSHE Procedures and Guidelines Manual, Chapter 5.**

IGI enters into profit arrangements with multiple clients who utilize IGI's facilities but

independently manage the classes held. We noted no contractual arrangements exist for this type of activity. The lack of contracts makes it difficult to determine the terms and conditions of the agreements, and to ensure the revenue was properly received by the department.

We recommend profit-sharing arrangements be properly documented and approved. We also recommend legal counsel review the contracts to ensure compliance with Board of Regents and institutional policies.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**We will formally document the arrangement and have it approved by Legal Counsel. We expect to have this done by February 29, 2012. All future profit-sharing arrangements will be properly documented and approved.**

### **Prevention & Monitoring**

**This particular seminar is a unique arrangement. Most seminars and classes managed by the IGI pay instructors a flat fee through an independent contractor agreement for instruction services. The seminar noted above is the only one where the instructor's pay is based on net profit. This type of arrangement limits the risk to IGI because all expenses (i.e., materials, advertising and support services) are covered before a profit share exists. IGI did try to obtain help with formally documenting this arrangement, but was unable to find where similar situations had been approved.**

**The Director of Management and Executive Education will be responsible for ensuring that future arrangements are formally documented.**

In addition, we were unable to determine whether IGI directors' had been given proper signature authority to sign contracts.

We recommend a review of authorized individuals be performed to determine whether IGI directors' are authorized to sign contracts.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**We have reviewed levels of signature authority for various types of IGI contracts and agreements with General Counsel's office. We now route all revenue contracts from IGI to the College Dean for signature, then to General Counsel and finally to the Executive Vice President & Provost, who has signature authority for all contracts with the terms and dollar amounts in our contracts.**

### **Prevention & Monitoring**

**The Business Manager will periodically review signature authority and delegation to ensure that compliance is maintained.**

**We respectfully request that this item be closed.**

### **SEPARATION OF DUTIES**

During our review of the IGI event procedures, we noted that one person is responsible for event planning, invoicing clients and collecting payments. In addition, the same person is responsible for performing the end of period reconciliations.

We recommend a review of revenues be completed by an individual not responsible for the planning, billing and collecting of payments for events. To further strengthen controls, we recommend IGI consider utilizing an employee independent of planning for the billing of clients and collection of funds.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**We have separated the duties. We have two individuals who are assigned to manage seminar offerings. The person not managing the particular seminar will receive and prepare the deposits for registrations for the other person's seminars as they come in. Custom programs with contracts will be billed and deposits processed by the operations accountant. The college business manager will review and reconcile the account activity. These processes will fulfill the auditing standard of segregation of duties.**

### **Prevention & Monitoring**

**The associate dean with oversight of Operations and Executive Education, in conjunction with the college business manager, will be responsible for ensuring that these processes continue in compliance with the recommendation.**

**We respectfully request that this item be closed.**

### **LOANED EQUIPMENT**

During our review of equipment inventory, we located a number of items in the IGI lab that were not tagged, and were not listed on the department's inventory. According to the department these items were on loan from various gaming companies, which are regularly replaced with newer equipment as it becomes available. Currently there is no process in place to ensure that items loaned to the department are accurately reflected in custodial records and there is no contract existing between the department and the company who owns the equipment.

The Internal Audit Department recommends a process be developed to properly track items that have been loaned to IGI. We also recommend that an agreement be created to detail the terms of the loan such as who is responsible for insurance coverage, damage or theft of the equipment and when the loaned items are to be returned.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**All loaned equipment has been returned to the provider.**

### **Prevention & Monitoring**

**Most of the gaming equipment is provided to us through a donation process. We no longer will accept equipment on a loan basis and will only accept gift-in-kind equipment.**

**We respectfully request that this item be closed.**

### **STUDENT WORKERS**

The Internal Audit Department performed a review of student timesheets for five students and noted the following.

1. In 15 instances, employees worked overtime and were not properly compensated. Overtime should be paid when an employee works in excess of eight hours in one day, or 40 hours in one week. We recommend student timesheets be reviewed to determine whether the individuals are owed additional compensation.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**All catering timesheets have been reviewed for proper calculation of overtime and all unpaid overtime has been paid. The corrections involved the total period of FY11. Corrections involved 16 students and a total amount of \$700.**

### **Prevention & Monitoring**

**There had been confusion within the department as to who was responsible for calculating overtime hours for payment. This has been corrected. Supervisors in the catering operation now verify hours and calculate overtime. Total hours for the pay period are now broken down into regular and overtime hours, and then submitted to the Administrative Assistant for entry onto the payroll worksheet. As an additional crosscheck, copies of timesheets are now forwarded to the administrative assistant so that calculations can be verified before submission to Payroll.**

**We respectfully request that this item be closed.**

2. In 47 instances, student employees worked six or more hours, and did not take a 30-minute unpaid lunch break, as required. We recommend students and supervisors be reminded that a 30 minute unpaid lunch break must be taken and indicated on the timesheet when working six or more hours.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**Workers have been reminded that a 30-minute off-the-clock break is required when working six or more hours.**

### **Prevention & Monitoring**

**Each of these discrepancies occurred in our catering operation. This department uses an automated timekeeping system. Each supervisor will be responsible for ensuring that compliance is maintained.**

**We respectfully request that this item be closed.**

3. On one occasion a student employee worked 3.5 hours, and it was not documented on the employee's timesheet. Upon further review it was determined that only verbal notification of the time worked was provided. According to the UNLV student employee manual, student timesheets must be an accurate listing of actual time worked. We recommend employees and supervisors be reminded to document the actual days and times worked before the total hours are authorized by supervisors.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**The student employee was properly paid for all time worked.**

### **Prevention & Monitoring**

**Supervisors of student employees have been reminded that they should only sign and approved timesheets that accurately document the days and time worked. The administrative assistant's review of timesheets will serve as a crosscheck to ensure that this problem does not recur.**

**We respectfully request that this item be closed.**

### **LEAVE RECORDS**

The Internal Audit Department completed a review of the controls over leave records for ten employees. For one employee reviewed we noted that compensatory time earned was not exhausted before annual leave was utilized. We also noted the employee's report of overtime was submitted to the supervisor 30 to 60 days after the last day of overtime worked. We

recommend employees and leave keepers be reminded that compensatory time must be exhausted prior to using annual leave, unless prior approval is obtained. We also recommend that overtime worked be submitted and approved in a timely manner.

### **Institution Response**

**We agree with this recommendation.**

### **Correction**

**The employee's leave records accurately reflect current balances. Supervisors of staff employees have been reminded that overtime must be approved in advance and must be used only for unavoidable needs.**

### **Prevention & Monitoring**

**The College is now using the automated iLeave system within the University. This will assist in preventing future recordkeeping errors.**

**We respectfully request that this item be closed.**

## **STATEMENT OF REVENUE AND EXPENDITURES**

A statement of revenues and expenditures, based on the activity of the UNLV College of Hotel Administration accounts, is shown below. The statement is provided for informational purposes only.



	State Accounts	Self- Supporting Accounts	Gift Accounts	Grant Accounts	Agency Accounts	Total
Balance, July 1, 2010	\$ -	\$ 1,384,263	\$ 1,344,666	\$ -	\$ 1,581	\$ 2,730,510
Transfers-In	-	529,465 <sup>1</sup>	142,233 <sup>2</sup>	-	-	671,698
Revenues						
State Appropriations	8,641,557	-	-	-	-	8,641,557
Sales & Services	-	721,436	(81)	-	-	721,355
Fees & Tuition	-	836,248	-	-	-	836,248
Indirect Cost	-	1,771	-	-	-	1,771
Gifts & Grants	-	-	1,315,425	173,958	-	1,489,383
Total Revenue	8,641,557	1,559,455	1,315,344	173,958	-	11,690,314
Transfers-Out	-	303,470	52,664	-	-	356,134
Expenditures						
Salaries	5,993,379	804,510	767,035	140,569	-	7,705,493
Travel	-	102,785	40,353	5,094	-	148,232
Operating	120,766	677,996	185,219	23,021	-	1,007,002
Recharge	-	(106,426)	-	-	-	(106,426)
Hosting	-	14,326	49,557	-	-	63,883
Indirect Cost	-	-	-	24,521	-	24,521
Encumbrances	1,958,503	263,556	305,618	-	-	2,527,677
Total Expenditures	8,072,648	1,756,747	1,347,782	193,205	-	11,370,382
Balance, March 31, 2011	\$ 568,909	\$ 1,412,966	\$ 1,401,797	\$ (19,247) <sup>3</sup>	\$ 1,581	\$ 3,366,006

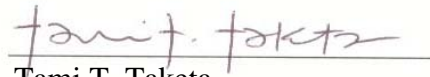
1. The transfers-in were all a result of an account consolidation that occurred at the beginning of the fiscal year.
2. The amounts of the transfers in the gift account were a result of the gift funds received by the UNLV Foundation which were specifically designated for the Hotel College.
3. The deficit balance is a reflection of grant expenditures that were expended and have not yet been reimbursed by the granting agency. All reimbursement requests for these funds were submitted.

The Internal Audit Department appreciates the assistance and cooperation received from the William F. Harrah College of Hotel Administration personnel during this review.

Las Vegas, Nevada  
December 5, 2011



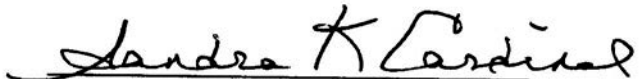
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**AUDIT:** UNLV College of Hotel Administration

**AUDIT PERIOD:** 07/01/2010 – 03/31/2011

**NUMBER OF FINDINGS:** 9

**NUMBER OF RECOMMENDATIONS IMPLEMENTED:** 7

Nbr	Finding	Agree	Implemented	Est Date of Completion
1	Standard contract form not in compliance	Yes	No	3/31/12
2	Profit-sharing arrangement not documented	Yes	No	2/28/12
3	Signature authority delegation not clear	Yes	Yes	
4	Better segregation of duties is needed	Yes	Yes	
5	Loaned equipment is not properly tracked	Yes	Yes	
6	Students not paid for overtime	Yes	Yes	
7	Students working without required breaks	Yes	Yes	
8	Student time worked not documented	Yes	Yes	
9	One employee’s leave records inaccurate	Yes	Yes	