

Nevada System of Higher Education

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November 4, 2013

MEMORANDUM

TO: Mr. Ron Knecht, Chair
Ms. Allison Stephens, Vice Chair
Mr. Robert J. Blakely
Mr. Kevin C. Melcher
Mr. Jack Lund Schofield

FROM: Sandi Cardinal, Assistant Vice Chancellor for Internal Audit

SUBJECT: Internal Audit Report
Audit Committee – December 2, 2013

The Internal Audit Department has completed the enclosed four audits and discussed the findings with the responsible administrators at the institutions involved. The institution's response to the audit findings is also enclosed. The Internal Audit reports must be read in their entirety so as not to arrive at any conclusions out of context; however, I have summarized the reports as follows:

1. Great Basin College
Special Course Fees (Reference A-8)
January 1, 2012 through December 31, 2012

-Special Course Fee requests are not documented on a standardized form. We also noted the documentation of Special Course Fee requests and approvals is not maintained. We recommend a Special Course Fee Request Form be created. We recommend the form include justification for assessing the fee and that the form be signed by the requestor and the approving authority(s). We recommend request forms be maintained to provide a record and support for the Special Course Fees that are assessed by the college.

-An internal listing of the college's approved Special Course Fees does not exist other than those that are published in the class schedule. For improved recordkeeping, we recommend a list of GBC's Special Course Fees be created and maintained by a proper authority, such as the Office of Academic Affairs.

-One Special Course Fee in excess of \$50 was not included in the NSHE Procedures and Guidelines Manual. We recommend the college submit a request to the Board of Regents seeking approval of the fee.

-Approximately 94% of courses offered in the Spring 2012 semester and 98% of courses offered in the Fall 2012 semester were assessed a Special Course Fee. Board of Regents policy states Special Course Fees should be assessed only when there are extraordinary instruction costs. We recommend GBC personnel review the Special Course Fees that are charged for reasonableness and compliance with Board policy.

Hours Budgeted: 120

Actual Hours: 105

2. University of Nevada, Reno
Libraries (Reference A-9)
July 1, 2011 through October 31, 2012

-Policies and procedures have not been developed that address the cash handling, deposit, and accounting practices of the Multimedia Center. We recommend a policies and procedures manual be developed to establish controls and to promote consistency in these processes.

-We noted 11 of 38 deposits tested were not made in a timely manner. We recommend deposits be made in accordance with university policy.

-We noted that outstanding customer accounts, which consist of the accumulation of fines, books and material costs, are not sent to a collections agency. A Libraries report of outstanding accounts indicated there are over 7,650 outstanding accounts with a total amount due of \$212,625. We recommend accounts with material balances be turned over to a collections agency.

-The Libraries' reservation system produces a report of outstanding customer accounts over \$40. The report is used to identify customers that owe fees and to place a hold on the accounts. We noted the report for faculty and staff is only reviewed on an annual basis. This allows the account holders to continue checking out items and to exceed the \$40 threshold. We recommend the outstanding balance report be reviewed more frequently to help alleviate large account balances and to promote more timely collections.

-The Libraries has been delegated authority by the university to purchase information services and materials that are unique to library operations. As a result, the Libraries is authorized to make these purchases without utilizing the BCN Purchasing Department. We noted that written procedures for making and approving these transactions do not exist. Occasions were noted in which purchases for large dollar amounts were approved by only one employee. We

recommend written procedures be developed to document the process that is followed by Libraries personnel when making these purchases and that appropriate controls be implemented, such as requiring additional signature approvals as the amount of purchases increases.

Hours Budgeted: 400

Actual Hours: 533

Overage was due to a personnel change and an employee on FMLA. In addition, the scope of the audit was moderately expanded from the prior audit.

3. University of Nevada, Reno
Student Accounts PeopleSoft (Reference A-10)
Fall 2012 and Spring 2013

-One student tested was employed as a Graduate Research Assistant and received a Grant-In-Aid for a portion of the registration fees. We noted the waiver of the Capital Improvement Fee was applied twice to the student's account. Further review indicated this error occurred for 69 Graduate Research Assistant students totaling \$6,900 in incorrect fee waivers. We recommend greater care be taken when processing fee waivers to ensure the correct entries are posted to the Student System.

-One student was enrolled in a course that required a Differential Program Fee to be charged. We noted the fee was not assessed. Further review indicated the fee was not assessed to 19 other students enrolled in the course. We recommend the cause of the error be determined so this issue does not recur in the future.

-One student was incorrectly charged for a dropped course. The student dropped the course within the 50% refund period but instead of receiving a refund, the registration fees were charged to the student's account a second time. We recommend the cause of the error be determined so this issue does not recur in the future.

Hours Budgeted: 400

Actual Hours: 399

4. Desert Research Institute
Facilities (Reference A-11)
July 1, 2011 through February 28, 2013

-We noted two Facilities Department agreements included hold harmless clauses that did not meet the requirements of NSHE contract policy. The clauses held the other parties harmless, but not DRI or NSHE. One of these agreements also did not list the Board of Regents as the contracting party as required. We recommend agreements be reviewed for proper content and adherence to NSHE policy. We also noted a delegation of signature authority issued to the Facilities

Department is outdated and could be clearer as to the types of agreements the department is authorized to sign. We recommend the signature authorization be reviewed and updated.

-We noted the two computer servers that store DRI's key card access systems are not being backed up appropriately. We recommend the servers be backed up in a manner that is consistent with best practices. We noted one of the servers is not being updated with security patches and system updates. We recommend the server be properly administered. We also noted the Facilities Department is responsible for the administration of the key card applications and the issuance and revocation of key cards. This situation does not provide for an adequate separation of duties. We recommend the server administration function be performed by the DRI Information Technology Department and the key issuance and revocation function be performed by another department.

-Twenty one expenditure transactions were not approved by an authorized account signer. We recommend greater care be taken to ensure expenditures are approved by authorized personnel.

-We noted DRI does not keep a list of its non-sponsored project agreements and does not maintain these agreements in a central location. NSHE policy states copies of all contracts must be kept in a secure and accessible location. We recommend agreements be stored in a central location and that a list of the agreements be maintained.

Hours Budgeted: 400

Actual Hours: 382

Follow-up responses have been submitted for ten internal audit reports presented to the Audit Committee at your June meeting. The current status of the recommendations follows.

1. University of Nevada, Reno
Business Center North Payroll (Reference A-2b)
July 1, 2011 through June 30, 2012

One recommendation was open when the audit report was presented to the Audit Committee. The recommendation has been implemented.

2. University of Nevada, Reno
Differential Program and Special Course Fees (Reference A-2c)
July 1, 2011 through June 30, 2012

Two recommendations were open when the audit report was presented to the Audit Committee. The recommendations have been implemented.

3. University of Nevada, Reno
Hosting (Reference A-2d)
July 1, 2011 through August 31, 2012

One recommendation was open when the audit report was presented to the Audit Committee. The following recommendation is in the process of being implemented.

-We recommended the department that made the purchase be reminded of hosting policy.

4. University of Nevada, Reno
Associated Students of the University of Nevada, Reno (Reference A-2e)
July 1, 2010 through May 31, 2012

Five recommendations were open when the audit report was presented to the Audit Committee. The recommendations have been implemented.

5. University of Nevada, Las Vegas
Residency Determinations (Reference A-2f)
July 1, 2011 through June 30, 2012

Three recommendations were open when the audit report was presented to the Audit Committee. The recommendations have been implemented.

6. Nevada State College
Sponsored Projects (Reference A-2g)
July 1, 2011 through September 30, 2012

Eight recommendations were open when the audit report was presented to the Audit Committee. The following recommendations are in the process of being implemented.

-We recommended SPA develop a formal written policies and procedures manual to address key steps and functions in the stages of contract and grant awards from pre-award through post-award including contract close out, program income, effort reporting, cost transfers, and record retention. This could also include the need to develop supporting checklists and routing forms for key activities.

-We recommended SPA develop a website to provide and disseminate procedural guidance to NSC staff, which should help support its goal of being the central point on campus for issues related to contract and grant activities.

- We recommended the institution implement an effort reporting policy and procedure to comply with federal requirements.
- We recommended the Controller's Office and the Facilities Department perform periodic reconciliations of equipment to ensure items purchased are identified with asset tags and are on an equipment record for inventory tracking purposes. This reconciliation process was noted to be in place for information technology (IT) equipment, but not for non-IT equipment.

7. Truckee Meadows Community College
Special Course Fees (Reference A-2h)
July 1, 2011 through September 30, 2012

Three recommendations were open when the audit report was presented to the Audit Committee. The recommendations have been implemented.

8. Truckee Meadows Community College
PeopleSoft Security (Reference A-2i)
November 1, 2011 through January 10, 2013

Four recommendations were open when the audit report was presented to the Audit Committee. The following recommendation is in the process of being completed.

- We recommended that TMCC evaluate users with access to unmasked SSN data and ensure that they have a job related need for such access.

9. Western Nevada College
Special Course Fees (Reference A-2j)
July 1, 2011 through September 30, 2012

All recommendations were closed when the audit report was presented to the Audit Committee.

10. Western Nevada College
Hosting (Reference A-2k)
July 1, 2011 through June 30, 2012

Two recommendations were open when the audit report was presented to the Audit Committee. The recommendations have been implemented.