

UNIVERSITY OF NEVADA, RENO
LIBRARIES
Internal Audit Report
July 1, 2011 through October 31, 2012

GENERAL OVERVIEW

The University of Nevada, Reno (UNR) Libraries includes the Mathewson-IGT Knowledge Center and the DeLaMare Library. The Knowledge Center is considered the main campus library and replaced the former Getchell Library in 2008. The Knowledge Center is housed in a five floor, 295,000 square feet building and combines traditional library resources with new digital and multimedia technologies that were not previously available in Getchell Library. The Libraries has an annual operating budget of approximately \$10 million and employs about 90 employees.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Libraries at the University of Nevada, Reno for the period of July 1, 2011 through October 31, 2012.

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included tests of the accounting records and other auditing procedures, as we considered necessary. The tests included, but were not necessarily limited to these areas.

1. Testing expenditures for reasonableness, supporting documentation, and proper signature approvals.
2. Testing controls over the receipt and deposit of funds received from the Libraries business activities.
3. Reviewing procedures for collecting accounts receivable.

4. Examining equipment inventories for proper accountability.
5. Reviewing leave records, timesheets, and contracts for proper completion and approval.
6. Examining recharge activity.

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

CASH CONTROLS

Libraries personnel collect payments for a variety of business activities such as printing and photocopies, fines, and other services. We examined the procedures for collecting, storing, and depositing receipts at the Multimedia Center and the Main Circulation Desk which are located in the Knowledge Center. The following exceptions were noted.

Multimedia Center

1. The Multimedia Center employs a number of part-time student cashiers. We noted that multiple student cashiers, as well as library staff, use the same cash drawer during the day without the drawer being reconciled between users. According to university policy, cash drawers must be reconciled at the end of each shift or whenever the cashier changes. For proper accountability, we recommend cash drawers be handled in compliance with the established policy. We recommend a form be developed to document the count and reconciliation of the sales receipts to the sales documentation when cashiers change. We also recommend the form be signed by two employees for verification purposes.

Institution Response

Correction: Effective December 1, 2013, the Multimedia Center will become a cashless operation. They will continue to accept credit cards and Wolfbucks in payment for poster printing, fines, color copying, and other transactions. There will

be no cash in the register and no cash accepted at the service desk.

Prevention and Monitoring: No follow-up and monitoring is required as the Multimedia Center does not have a cash fund or handle cash transactions.

Follow-up Response: As of December 1, 2013, the Multimedia Center stopped collecting cash. They accept credit cards and Wolfbucks. They have no cash register and keep no cash at the service desk.

2. Receipts collected each business day are placed in an envelope and stored in a lockable filing cabinet. We noted the filing cabinet was not locked during business hours even though there were deposits from previous business days stored there. We noted a key to the filing cabinet was stored in an unlocked drawer behind the cashier counter.

For improved control, we recommend the filing cabinet remained locked at all times. We recommend the key to the filing cabinet be maintained in a secure area to which only authorized employees have access.

Institution Response

Correction: Multimedia Center staff are keeping the filing cabinet locked at all times. Only four staff members have keys to the lock box and filing cabinet: the @One Administrator, the KC Technology Specialist, the IT Tech II (night supervisor), and Library Tech I (Multimedia desk supervisor).

Prevention and Monitoring: All Multimedia Center staff were notified of the new procedure on August 23, 2013. The Multimedia desk supervisor is responsible for ensuring the procedure is implemented and maintained.

Follow-up Response: The filing cabinet in the Multimedia Center is kept locked. Only four staff members have keys to the lock box and filing cabinet.

3. A process for performing and approving refunds has not been developed. Currently, refunds can be processed by all cashiers. Approval from a supervisory employee is not needed and the reason for performing refunds is not noted on the supporting documentation.

We recommend procedures for processing refunds be developed. The procedures should state the personnel who are authorized to perform and approve these transactions and require a brief explanation stating the reason a refund was necessary. The explanation should be recorded on the supporting documentation. We also recommend the refund procedures be included in the procedures manual, as discussed below.

Institution Response

Correction: Effective August 26, 2013, only staff members are authorized to make refunds. Student assistants who are working the desk call a staff member to process the transaction. The reason for the refund is noted on the receipt and initialed by the staff member. The procedures manual will be revised to reflect this change. Final procedures manual updates will be completed by December 1, 2013.

Prevention and Monitoring: All Multimedia Center staff were notified of the new procedure on August 23, 2013. The Multimedia desk supervisor is responsible for ensuring the procedure is implemented and maintained.

Follow-up Response: Student assistants are no longer authorized to make refunds. A staff member on duty is called to handle refund transactions; the reason for the refund is noted on the receipt and initialed by the staff member. The procedures manual has been updated to include this change.

4. We were informed that deposits are prepared by one employee. No other staff member has been trained to perform this function.

We recommend another employee be trained to prepare deposits in case the individual that currently performs this task is unavailable to do so.

Institution Response

Correction: The Multimedia desk supervisor, a Library Tech I, is responsible for handling daily cash counts and deposits. The back-up is staff at the Library Services desk. When the Multimedia desk supervisor is out of the office, the Library Services desk supervisor is notified by the @One Administrator to make sure deposits are made for both areas.

Prevention and Monitoring: All Multimedia Center staff were notified of the new procedure on August 23, 2013. The Multimedia desk supervisor is responsible for ensuring the procedure is implemented and maintained.

Follow-up Response: Although the Multimedia Center no longer handles cash, credit card and Wolfbucks transactions are prepared for deposit by the Multimedia Center desk supervisor. When she is out, the @One Administrator notifies back-up staff at the Library Services desk to make deposits for both areas.

5. Five of 19 deposits tested were not made in a timely manner. University policy requires receipts in excess of \$500 to be deposited within one day of receipt and lesser amounts to be deposited within three days of receipt. We also noted that deposits posted to the Multimedia Center's fines account, during the audit period, were posted to the incorrect revenue category in the financial accounting system. The deposits were posted as miscellaneous sales and service revenue rather than as fines.

We recommend deposits be made in accordance with the university policy and that revenue be posted to the correct revenue category.

Institution Response

Correction: All employees involved in the preparation of deposits have been reminded that the university policy requires deposits in excess of \$500 be deposited within one day of receipt and lesser amounts within 3 days.

Prevention and Monitoring: The Multimedia Center desk supervisor is responsible for ensuring that deposits are made in accordance with university policy.

Follow-up Response: The Multimedia Center desk supervisor is responsible for ensuring deposits in excess of \$500 are deposited within one day of receipt and all other deposits within three days of receipt. The Assistant Dean of Libraries has reviewed the policy with the Multimedia desk supervisor.

6. Policies and procedures do not exist that address the financial operations of the Multimedia Center such as the cash handling, deposit, and accounting practices.

We recommend a policies and procedures manual be developed to establish controls and to promote consistency in these processes.

Institution Response

Correction: The Multimedia Center procedures manual is being revised to include financial operations and accounting procedures. The revision will be completed by December 1, 2013.

Prevention and Monitoring: The Assistant Dean of Libraries will follow-up with the Multimedia Center desk supervisor in early December 2013 to be sure the manual is complete. The Multimedia Center desk supervisor is responsible for maintaining an updated procedures manual for the department.

Follow-up Response: The Multimedia Center procedures manual has been revised to include financial operations and accounting procedures. It was reviewed and approved by the Assistant Dean of Libraries in December 2013.

Main Circulation Desk

1. Six of 19 deposits tested were not made in a timely manner. University policy requires receipts in excess of \$500 to be deposited within one day of receipt and lesser amounts to be deposited within three days of receipt.

We recommend deposits be made in accordance with the university policy.

Institution Response

Correction: All employees involved in the preparation of deposits were reminded at a meeting on August 23, 2013 that the university policy requires deposits in excess of \$500 be deposited within one day of receipt and lesser amounts within 3 days.

Prevention and Monitoring: The Library Services supervisor is responsible for ensuring that deposits are made in accordance with university policy.

Follow-up Response: The Library Services supervisor is responsible for ensuring deposits in excess of \$500 are deposited within one day of receipt and all other deposits within three days of receipt. The Assistant Dean of Libraries reviewed the university policy with the Library Services supervisor and all library employees with cash handling/accounting responsibilities.

ACCOUNTS RECEIVABLE

The department incurs accounts receivable from the accumulation of fines and replacement costs associated with books and materials that are checked out but not returned to

the Libraries. The receivables are tracked through the Libraries' computerized reservation system. In reviewing this information and the procedures for collecting outstanding account balances, the following observations were noted.

1. A series of automatic notifications is used by the library to inform customers of past due items. Customers that do not return items within 10 days of the due date are issued a billing statement for the replacement cost of the items. If there is no response to the billing statement, no further action is taken such as turning the account over to a collections agency. We subsequently reviewed a list of customer accounts with outstanding balances during the last ten years. The list consisted of more than 7,650 accounts with a total amount due of \$212,625. Nearly 70% of the amount owed represents replacement costs.

We recommend accounts with material balances for which the library has not received payments for an extended period of time be turned over to a collections agency. We recommend a policy be developed regarding past due accounts and the timeframe for forwarding accounts to collections. We recommend the policy be included in the Circulations Desk Procedures Manual.

Institution Response

Correction: The Director of Information Services and Library Services supervisor are currently developing procedures to address this issue which includes sending accounts to collection. Procedures will be developed, implemented and included in the Circulation Desk Procedure Manual by January 15, 2014.

Prevention and Monitoring: The Director of Information Services is responsible for ensuring that procedures are developed for handling collections for fines and overdue accounts.

Follow-up Response: The Director of Information Services and Library Services supervisor have developed procedures to send overdue accounts to collections. A collection agency specializing in libraries has been identified and a contract signed

by BCN Purchasing. Procedures have been developed for the Circulation Desk Procedure Manual. The process has been implemented and first round of collection notices sent.

2. The Libraries' reservation system produces a report of customer accounts with outstanding balances in excess of \$40. The report is used to identify customers that owe fees and to place a hold on the accounts so as to not allow further materials from being checked out. We noted the report for faculty and staff accounts is only reviewed on an annual basis. This review procedure allows the account holders to continue checking out items and to potentially exceed the \$40 threshold before a hold is placed on their accounts.

We recommend the outstanding balance report be reviewed more frequently to help alleviate large account balances and to promote more timely collections. We also recommend a review be performed to determine whether the library's reservation system can be programmed to place a hold on customer accounts as soon as the outstanding balance reaches \$40.

Institution Response

Correction: The Director of Information Services has investigated whether the circulation system can be programmed to place a hold on customer accounts as soon as outstanding balances reach \$40. It cannot. The Library Services staff will run the stop list three times a year instead of annually in order to identify large balances and place holds more quickly. The stop list will be run in January, May and September.

Prevention and Monitoring: The Library Services supervisor is responsible for ensuring that the stop lists are run on the established schedule and that holds are placed on overdue accounts.

Follow-up Response: Since the circulation system cannot be programmed to identify and place holds on accounts with outstanding balances, Library Services staff runs stop lists three times a year instead of annually. A list was run in January 2014 and holds were placed on student accounts with balances over \$40.

3. The Circulations Desk Procedures Manual includes procedures for placing holds on student accounts for unpaid fines. We noted the procedures have not been updated since the implementation of the university's new student information system.

We recommend the policy be updated.

Institution Response

Correction: By January 3, 2014 the Circulation Desk Procedures Manual will be updated with new procedures recommended in the audit report as well as other necessary updates.

Prevention and Monitoring: The Assistant Dean of Libraries will follow-up with the Library Services supervisor in January 2014 to be sure the manual is complete. The Library Services supervisor is responsible for maintaining an updated procedures manual for the department.

Follow-up Response: The Circulation Desk Procedures Manual has been updated with new procedures about stop lists, collection procedures, and other recommendations from the audit including deposits.

4. The Libraries' accounts receivable are not reported to the UNR Controller's Office for possible inclusion in the university's financial statements.

We recommend the accounts receivables be reported to the Controller's Office at the conclusion of each fiscal year.

Institution Response

Correction: The Assistant Dean of Libraries and the Library Services supervisor will work with the Controller's Office to provide year end accounts receivables.

Prevention and Monitoring: The Library Services supervisor is responsible for providing reports to the Controller's Office about year-end accounts receivables.

Follow-up Response: The Assistant Dean of Libraries and Library Services supervisor will follow all instructions from the Controller's Office regarding year end reporting of accounts receivables. We have not yet gone through a year-end closing and request for reporting since this report.

RECHARGE

A recharge center is any separately accounted for activity of the university which provides and charges for goods and services to other accounts or department on campus. The financial activity of each recharge center is required to be accounted for in a separate university account in the financial accounting system. On an annual basis recharge rates and financial statements are prepared and submitted to the UNR Business and Finance Office for review and approval. We reviewed the Libraries' three approved recharge accounts to verify whether the recharge activity was properly recorded and reported.

During this review, we were informed that university purchasing cards are frequently used to pay for services associated with one of the Libraries' recharge activities. Upon review of the recharge account, however, it did not appear that any purchasing card transactions were posted to the recharge expense category in the financial accounting system. As a result, the amount of recharge activity posted to the above account is likely understated.

We recommend that Libraries administration, in conjunction with the Business and Finance Office, review this issue and determine whether purchasing cards are an acceptable method of payment at the university's recharge centers. If so, we recommend that policies and procedures be developed to accurately process and record these transactions in the financial accounting system.

Institution Response

Correction:

The Assistant Dean of Libraries will work with the Business and Finance Office to establish a procedure to identify revenue from university purchasing cards and transfer, via a journal voucher, recharge revenue to the appropriate accounting line. The new procedures will be shared with library account managers and implemented for all library recharge centers.

Prevention and Monitoring:

The Assistant Dean of Libraries is responsible for developing the procedure and sharing information with account managers. Account managers for three recharge centers in the Multimedia Center, DeLaMare Library, and Library Services departments are responsible to be sure the purchasing card revenue is properly identified and transferred.

Follow-up Response: The new procedures were implemented for all library recharge centers in January 2014 and are working as designed.

LEAVE RECORDS

The leave records of two professional and three classified Libraries employees were reviewed to determine whether the records were accurately completed and proper record keeping procedures were followed. The following exceptions were noted.

1. On four occasions, sick leave request forms were not submitted and approved within two days after the employees returned to work as required by university policy. On one other occasion, annual leave was submitted and/or approved after the leave was taken.

We recommend leave request forms be submitted and approved in a timely manner.

Institution Response

Correction: On September 23, 2013 an email message was sent to all library staff and faculty reminding them that annual leave forms must be approved before annual leave is taken and sick leave forms must be submitted within two days of return. Supervisors were also reminded to follow-up on absences more expeditiously.

Prevention and Monitoring: Supervisors are responsible to ensure that employees report annual and sick leave in accordance with university policy. The Libraries' leave keeper has been instructed to watch for leave forms that are not submitted in a timely way and, when received, to remind supervisors of the rule.

Follow-up Response: All library faculty and staff were reminded of the timeline for submitting annual leave and sick leave. Supervisors were reminded to follow-up with employees timely and to enforce the policy. Reminder messages will be sent to all faculty and staff annually.

2. On one occasion, annual leave was taken by a newly hired classified employee before the

six month waiting period was satisfied.

For proper accountability, we recommend the leave taken by the employee be processed as leave without pay and that the leave be restored to the employee's annual leave balance.

Institution Response

Correction: On September 23, 2013 an email message was sent to all library staff and faculty reminding them that newly hired classified staff may not take annual leave within their first six months of employment. In the specific case found in the audit, the Assistant Dean of Libraries will work with Human Resources and the Payroll Office to determine correct action to debit the employee's paycheck and credit the ½ day of annual leave. The recommended correction will be implemented by the October (November 1) payroll.

Prevention and Monitoring: Supervisors are responsible to ensure that employees report leave in accordance with university policy. The Libraries' leave keeper has been instructed to watch for leave forms from newly hired classified staff to ensure that they are in compliance.

Follow-up Response: All library faculty and staff were reminded that newly hired classified employees may not take annual leave within the first six months of employment. In the case in point, a payroll correction was made to the November 1, 2013 paycheck and leave was restored. Supervisors are responsible to ensure that university leave policies are followed.

EQUIPMENT INVENTORY

A review of the equipment inventory assigned to the Libraries was performed to determine whether items listed on the equipment inventory report were physically present and whether there were other items that met the \$5,000 reporting threshold that were not included on the report. Of 47 equipment items reviewed, the following exceptions were noted.

1. One item could not be located.

We recommend the department determine the disposition of the item. If the equipment was disposed of or salvaged, we recommend greater care be taken in the future to process

these transactions through the Business Center North (BCN) Purchasing Department as required. We also recommend any necessary adjustments be made to the equipment inventory report.

Institution Response

Correction: The missing item in question was not found in the last inventory in March 2013. It has been removed from the equipment inventory via memo to the Assistant Provost. On September 23, 2013 an email was sent to all library faculty and staff reminding them of inventory control procedures and that they may not move, discard, or reassign equipment without correct documentation being completed and sent to BCN Purchasing. Also, the Libraries have taken several steps to monitor inventory control, including assigning an asset manager (an IT Tech II) who works with assigned departmental technology coordinators to make sure that each item on the fixed asset report is located and identified, fixed asset reports are filed in a timely way, surplus and transfer forms are filled out appropriately, etc. We have purchased software to facilitate tracking and implemented twice yearly inventories instead of annual.

Prevention and Monitoring: The departmental technology coordinator, working with the asset manager, is responsible for maintaining accurate inventory reports and documenting surplus and transfers for all items in their assigned area. Library Administration will continue to monitor controls and hold managers responsible for timely and accurate inventory reports in their areas.

Follow-up Response: Departmental technology coordinators have met three times since the audit to review internal procedures and update inventory reports. More proactive monitoring, improved software and reporting systems, and frequent communication with assigned coordinators have improved response time and accuracy of reports for the 2014 fixed assets reporting cycle. Library Administration will continue to monitor controls and hold managers responsible for their departmental inventories.

2. Asset tags were not affixed to ten items. Nine of these items consisted of artwork located in the Libraries' Special Collections Department. We were informed attaching asset tags to artwork can be difficult due to the nature of these assets.

We recommend replacement tags be obtained from the BCN Purchasing Department for the above items. If it is impractical to affix the tags directly to the items, we recommend the tags be maintained in a hard copy file with a reference list that includes the asset

number, description, and location of each item.

Institution Response

Correction: On September 23, 2013 an email message was sent to all library staff and faculty reminding them that asset tags must be affixed to fixed asset items. The Head of Special Collections, working with the assets manager, maintains a Sharepoint database that includes the asset tag number, a detailed description of the item, and its location for sculptures, art and other artifacts to which it is not possible to attach asset tags. The database is set up and current.

Prevention and Monitoring: The Head of Special Collections is responsible for ensuring that the database is kept current with tag number, location and other descriptive information about art work.

Follow-up Response: The Head of Special Collections established a database of critical description and location information for assets that cannot be tagged and is responsible for ensuring that the database is kept current.

3. Four items were located in areas that differed from the locations listed on the equipment inventory report.

We recommend the BCN Purchasing Department be requested to update the equipment inventory report with the correct locations of these items. We recommend greater care be taken to ensure the purchasing department is notified as equipment is moved.

Institution Response

Correction: Libraries has completed the appropriate forms and requested BCN Purchasing department update the equipment inventory report with the correct locations. On September 23, 2013 an email message was sent to all library staff and faculty reminding them of the university's inventory control policies and specifically that they may not move equipment between units without completing appropriate transfer forms.

Prevention and Monitoring: Each library department has an assigned technology coordinator. The technology coordinator is responsible for working with the assets manager to make sure that each item on the fixed asset report is located and transfer forms are filled out appropriately when items are moved to another department or individual.

Follow-up Response: All library faculty and staff were reminded about inventory control policies through an e-mail in September 2013. In addition, departmental

technology coordinators are assigned to manage inventory in their areas and continuously remind faculty and staff of proper procedures.

Sensitive Equipment

A review of the department's sensitive equipment was also performed. Of 16 items examined from the Libraries' sensitive equipment list, the following exceptions were noted.

1. One item could not be located.

We recommend the department determine the disposition of this item. If it was disposed of or salvaged, we recommend the item be removed from the sensitive equipment list and that greater care be taken to ensure these transactions are processed through the BCN Purchasing Department, as required.

Institution Response

Correction: The item in question has been located and the sensitive equipment list has been adjusted with the correct location. On September 23, 2013 an email was sent to all library faculty and staff reminding them of inventory control procedures for sensitive equipment and that they may not move, discard, salvage or reassign equipment without informing the asset manager. Also, the Libraries has designated an asset manager who works with assigned departmental technology coordinators to make sure that each item on the sensitive equipment report is located and identified.

Prevention and Monitoring: All departmental technology coordinators, working with the asset manager, are responsible for maintaining accurate sensitive equipment inventories and documenting all changes.

Follow-up Response: The missing item is located and sensitive equipment inventory is corrected. All library faculty and staff were reminded about inventory control policies through an e-mail in September 2013. In addition, departmental technology coordinators are assigned to manage inventory in their areas and continuously remind faculty and staff of proper procedures.

2. Two items were located in areas that differed from those listed on the sensitive equipment list.

We recommend the sensitive equipment list be updated to reflect the correct location for

these items.

Institution Response

Correction: On September 23, 2013 an email message was sent to all library staff and faculty reminding them of the university's sensitive equipment policies and specifically that they may not move equipment between units or individuals without correcting the location. The sensitive equipment list has been updated with the correct locations.

Prevention and Monitoring: Each library department has an assigned technology coordinator. The technology coordinator is responsible for working with the assets manager to maintain the sensitive equipment list and ensure that location and responsible party are correct.

Follow-up Response: The sensitive equipment inventory was updated. All library faculty and staff were reminded about inventory control policies through an e-mail in September 2013. In addition, departmental technology coordinators are assigned to manage inventory in their areas and continuously remind faculty and staff of proper procedures.

EXPENDITURES

We reviewed 57 Libraries expenditures for proper supporting documentation and approval, reasonableness, and compliance with established purchasing procedures. The following exceptions were noted.

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

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

Institution Response

Correction: On September 23, 2013 an email message was sent to all library faculty and staff reminding them of NSHE purchasing guidelines and specifically that all purchases over the purchasing card limit must be handled by library administration and that they may not initiate any purchases or services with a vendor without a purchase order in place.

Prevention and Monitoring: The Assistant Dean of Libraries will send annual messages in September to continue to remind and educate library faculty and staff about required procedures and to insist that all purchasing be handled by library administration.

Follow-up Response: Purchase orders are completed in advance as required by NSHE purchasing guidelines. All library faculty and staff were reminded via email in September 2013 of NSHE purchasing guidelines and specifically that all purchases over the purchasing card limit must be handled by library administration and that they may not initiate any purchases or services with a vendor without a purchase order in place.

2. On one occasion, a purchasing card transaction was split into three separate transactions.

The total of the transactions exceeded the \$2,000 threshold at which purchase orders are required to be completed.

We recommend purchase orders be completed as required.

Institution Response

Correction: The Assistant Dean of Libraries spoke directly with the faculty member responsible for this infraction and emphasized its seriousness. It is clear to him that no future infraction will be tolerated and that his card will be canceled immediately if he fails to follow BCN Purchasing and university purchasing card guidelines. Also, on September 10, 2013 the Assistant Dean of Libraries sent an email message to all library faculty and staff who have purchasing cards to remind them of purchasing guidelines and advise them that their cards will be canceled immediately if they split a transaction. On September 23, 2013 an email message was sent to all library faculty and staff reminding them of NSHE purchasing guidelines and included guidelines from the Purchasing Card website.

Prevention and Monitoring: The Assistant Dean of Libraries will send annual email messages in September to continue to remind and educate library faculty and staff about required procedures. The Assistant Dean of Libraries will act swiftly upon any future infractions by canceling the card that was used in violation.

Follow-up Response: Library Administration implemented a zero tolerance policy for infractions concerning split transactions. This information was communicated to all library faculty and staff in an e-mail in September 2013 and will be followed up with annual reminders.

3. Four expenditures were approved by employees that did not have signature authority on the accounts charged.

We recommend expenditures be approved by authorized employees.

Institution Response

Correction: On August 27, 2013 library faculty and staff who are responsible for purchase of library materials (books, journals, databases) were advised that they must not sign on purchase orders for accounts on which they do not have signature authority. The signature authority list was reviewed and, in a few cases, a name was added to accounts on which staff should have signature authority.

Prevention and Monitoring: The Assistant Dean for Collections and Knowledge Access Services is responsible for reviewing invoices for library materials to ensure that payments are signed by appropriate signature authority.

Follow-up Response: Library Acquisitions department staff do not sign purchase orders for accounts on which they do not have signature authority. Signature authority lists will be reviewed and updated regularly. The Assistant Dean for Collections and Knowledge Access Services is responsible for reviewing invoices for library materials to ensure that payments are signed by appropriate signature authority.

4. One expenditure involved a hosted meeting at which university employees only were in attendance. We noted the supporting documentation did not include an agenda or description of business activities.

We recommend agendas be provided when only UNR employees are present at hosted events, as required by university policy.

Institution Response

Correction: The administrative assistant who manages purchasing cards and requests for payment has been reminded that an agenda must accompany hosting forms for internal meetings and business activities.

Prevention and Monitoring: The Assistant Dean of Libraries will ensure that appropriate documentation is present before purchasing card statements and RFPs are signed.

Follow-up Response: The administrative assistant who manages purchasing cards and requests for payment has been assigned the responsibility to be sure that an agenda is included with hosting forms for internal meetings and business activities. The Assistant Dean of Libraries will ensure that appropriate documentation is present before purchasing card statements and RFPs are signed.

5. The supporting documentation for one transaction did not include a description of the goods or services that were purchased.

We recommend a description of goods and/or services purchased be recorded on the payment documentation.

Institution Response

Correction: The administrative assistant who manages purchasing transactions for the libraries has been advised to be sure the description information for purchased goods is recorded on payment documentation.

Prevention and Monitoring: The Assistant Dean of Libraries, the primary reviewing officer, will ensure that descriptions are included on purchasing documentation. The Assistant Dean of Libraries will ensure that appropriate documentation is present before purchasing card statements and RFPs are signed.

Follow-up Response: The administrative assistant who manages purchasing transactions is responsible to include description information for purchased goods on the payment documentation and the Assistant Dean of Libraries is reviewing that documentation before purchasing card statements and RFPs are signed.

6. Three expenditures were charged to the incorrect expense category.

We recommend greater care be taken to ensure expenditures are charged correctly.

Institution Response

Correction: On September 23, 2013 the Assistant Dean of Libraries met with the administrative assistant who manages purchasing for the libraries to review expense categories. The most common and useful object/sub-object codes were identified and applicability was discussed. Correct and descriptive expense categories will be used for library purchases.

Prevention and Monitoring: The Assistant Dean of Libraries, the primary reviewing officer, is responsible for checking object/sub-object codes on requisitions and purchasing card statements and recommend changes when necessary.

Follow-up Response: The administrative assistant who manages purchasing is responsible to review the list of object/sub-object codes and select correct codes for purchases. The Assistant Dean of Libraries is reviewing that documentation before signing requisitions, purchasing card statements and RFPs.

7. The Libraries has been delegated authority by the university to purchase information services and resources that are unique to library operations, such as books and subscriptions, databases, bindings, pamphlets, and other research and information materials. As a result, the Libraries is authorized to make these purchases internally without utilizing the BCN Purchasing Department regardless of the amount of the purchases. In our review of transactions, we noted that written procedures do not exist to document the processes that are followed for making and approving these types of purchases. We also noted occasions 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 purchases of information services and resources. We recommend the procedures include adequate internal controls, such as requiring additional signature approvals as the amount of purchases increases.

Institution Response

Correction: The Library Acquisitions department is in the process of updating and expanding the procedures manual to include latest practices and to address more specifically some of the concerns raised by the audit. They will add to the procedures that large purchases must be signed by the Assistant Dean for Collections and Knowledge Access Services or the Dean of Libraries in addition to the Library Acquisitions supervisor. The updates and revisions to the manual will be completed by January 3, 2014.

Prevention and Monitoring: The Assistant Dean of Libraries will follow-up with the library Acquisitions supervisor in early January to be sure the manual is complete. The Library Acquisitions supervisor is responsible for ensuring that an accurate procedures manual is maintained for the department.

Follow-up Response: The procedures manual for the Library Acquisitions department has been updated to include procedures recommended in the audit. New procedures require that the Assistant Dean of Libraries for Collections and Knowledge Access Services or the Dean of Libraries must sign large purchase orders.

INDEPENDENT CONTRACTORS AND GUEST SPEAKERS

We examined a sample of three Independent Contractor/Independent Service Provider Agreement forms and one Guest Speaker Payment Request form that were completed to document services provided to the Libraries. We noted that none of the three independent contractor forms were signed and dated by the required parties before the start date of the agreements.

We recommend the above forms be reviewed and approved by the required parties prior to the start of the contract period.

Institution Response

Correction: On September 23, 2013 a message was sent to all library faculty and staff reminding them that independent contractor agreements must be completed, signed and approved before work begins.

Prevention and Monitoring: There are only a couple of library departments for which independent contractors or speakers are often hired. The Assistant Dean of Libraries is responsible for monitoring their planned activities more closely to help ensure that we are notified of the need for independent contractors and guest speakers in advance of the event. The Assistant Dean of Libraries will send annual messages in September to continue to remind library faculty and staff about university policies for hiring guest speakers and independent contractors.

Follow-up Response: Library Administration is committed to ensuring that independent contractor agreements are signed and approved before work begins. This was communicated to all library faculty and staff in an email in September 2013. It has been reiterated with Special Collections department staff – those who most frequently use independent contractors. The Assistant Dean of Libraries sends annual reminders to all library faculty and staff about university policies for hiring independent contractors.

STUDENT WORKERS

The timesheets of four student employees were reviewed for proper completion, accurate work hours and compliance with the university's student employment policies. Of 12 timesheets reviewed, one occasion was noted in which a student worked during their scheduled class time.

We recommend students be reminded that, in accordance with the university's student employment policies, they are not to work during class time. If this does occur, we recommend students be instructed to provide an explanation on their timesheet.

Institution Response

Correction: On September 23, 2013 an email was sent to all library faculty and staff to remind them that students may not be allowed to work when they are supposed to be in class and that if class was canceled it must be noted on the timesheet.

Prevention and Monitoring: The administrative assistant who handles student employment for the libraries meets annually with library student supervisors. At the next meeting and at subsequent annual meetings, supervisors will be reminded of this policy.

Follow-up Response: Library Administration is committed to ensuring that students do not work when they are to be in class. This was communicated to all library faculty and staff in an email in September 2013 and student supervisors will be reminded in regular meetings.

TELEPHONES

During a review of the Libraries' telephone billings; we noted charges for 18 land lines that were not listed on the Libraries' internal telephone listing.

We recommend a determination be made as to whether there is a need for the telephone lines. If it is determined that some or all of the lines are not needed we recommend the Campus Computing and Telecommunications Department be contacted to have the lines and related charges removed from the Libraries' telephone billing.

Institution Response

Correction: The Assistant Dean of Libraries has reviewed the list of land lines provided to us as a result of the audit. Six of them, which are clearly not needed, have been canceled. Several of the lines belong to vacant positions which have been, or will be, filled soon. These lines will not be removed. There are a few remaining that seem to be data lines, belong to server rooms, etc. The Assistant Dean of Libraries is working with campus Unified Communications to determine the location and purpose of some of these lines. Unnecessary lines will be canceled as appropriate. Target completion is January 3, 2014.

Prevention and Monitoring: Work orders to add, delete and reassign lines are the responsibility of the Administrative Assistant III who handles hiring/separation documents when employees come and go.

Follow-up Response: The Assistant Dean of Libraries reviewed the list of land lines paid by the libraries and canceled all of those that were not currently in use or in offices that we don't expect to fill soon. Cancellations were all completed by January.

VOLUNTEERS

Volunteers are utilized to perform various functions within the Libraries. We were informed nine individuals performed volunteer duties during the audit period. The BCN Workers' Compensation Office requires university departments to provide volunteers a copy of the NSHE sexual harassment policy. Volunteers must sign and date an acknowledgement form as evidence they received and reviewed the policy. Volunteers are also required to sign a volunteer agreement form. Upon completion the forms are required to be submitted and maintained by the workers' compensation office. In reviewing the paperwork that was completed for the nine volunteers, the following exceptions were noted.

1. A sexual harassment acknowledgement form was not completed for one individual.
2. A volunteer agreement form and sexual harassment acknowledgement form was completed by Libraries personnel for one individual, however, the form was not on file in the worker's compensation office.
3. A sexual harassment acknowledgement form was completed by Libraries personnel for

one individual, however, the form was not on file in the worker's compensation office. For items one through three above, 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: Early in 2013 the Libraries centralized processing of volunteers in the administrative office so volunteer paperwork is no longer handled in departments. The administrative assistant who handles faculty and staff hiring documents now processes all volunteer paperwork and volunteer files are centralized in the library administrative office.

Prevention and Monitoring: By centralizing volunteer processing, we ensure that documents are completed thoroughly and accurately and that communication with volunteers about university policies is consistent. The Assistant Dean of Libraries reviews documents and is responsible for ensuring accuracy.

Follow-up Response: The administrative assistant who handles hiring and separations now manages all of the volunteer paperwork for the libraries. This ensures that documents are completed thoroughly and accurately and that communication with volunteers about university policies is consistent.

ADMINISTRATIVE SECURITY

During a review of the Administrative Applications, we noted three Libraries employees that were provided update access to the financial accounting system. We were informed the employees did not need this level of access.

We recommend the security profiles for these employees be reviewed and updated to eliminate the unnecessary access. We also recommend a procedure be implemented within the department to ensure access to the applications is reviewed on a regular basis.

Institution Response

Correction: On September 10, 2013 the Assistant Dean of Libraries discussed the security profiles of the three employees with the Applications Security Coordinator. The coordinator supplied appropriate forms and explained the process to make changes. Profiles for these staff members will be revised to remove their access to update the

financial accounting system. The Assistant Dean of Libraries will submit necessary documentation to make these changes by October 25, 2013.

Prevention and Monitoring: The Assistant Dean of Libraries will consult with the Applications Security Coordinator and other appropriate IT personnel to determine a strategy for reviewing security access on a regular basis. We will establish a process and schedule for this review by February 1, 2014.

Follow-up Response: The security profiles of the three employees identified in the audit have been corrected. To ensure that profiles are kept up to date, the Assistant Dean of Libraries will review security profiles of Library employees, annually in August, to determine whether changes should be made.

OTHER

The following items were noted during this review; however, they are the responsibility of the BCN Purchasing Department.

CONTRACTS

During the audit period, a number of agreements were entered into with vendors to provide a variety of informational resources and other services to the Libraries. We reviewed a sample of four agreements for proper completion and adherence to the Nevada System of Higher Education (NSHE) contract policy. Of the four agreements reviewed, we noted one was not signed by all parties until after services had begun.

We recommend that contracts be signed before work or services are performed.

Institution Response

Correction: Services did not begin until the contract was signed. Both parties signed on the same date. Terms and Conditions, insurance and other contract issues were addressed between the date on the contract and the signing date.

Prevention and Monitoring: In the future we will ensure the date of the contract coincides with the signing date or ensure that the specific date services are to begin, are stated in the contract.

Follow-up Response: Library Administration, collaborating with BCN Purchasing, is

committed to ensuring that contracts are signed by all parties before work begins and that the specific date services are to begin is stated in the contract.

PRIOR AUDIT

A prior audit of the UNR Libraries was conducted for the period October 1, 2005 through June 30, 2006. All recommendations from that audit have been implemented, are no longer applicable or have already been addressed in this audit.

STATEMENT OF REVENUE AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of five state, 32 self-supporting, and 43 gift accounts that have been assigned to the Libraries. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	State Accounts	Self Supporting Accounts	Gift Accounts	Totals
Balance July 1, 2011	\$ -	\$ 796,395	\$ 1,798,205	\$ 2,594,600
Transfers In	\$ -	\$ 100,256	\$ -	\$ 100,256
Revenues				
State Appropriations	7,972,362	-	-	7,972,362
Tuition & Fees Unrestricted	-	1,052,765	-	1,052,765
Indirect Cost	-	(285)	-	(285)
Sales Education Account	-	423,109	-	423,109
Local GC Restricted	-	-	96,000	96,000
Private GGC Restricted	-	-	2,820	2,820
Endowment Income	-	-	41,146	41,146
Total Revenues	<u>\$ 7,972,362</u>	<u>\$ 1,475,589</u>	<u>\$ 139,966</u>	<u>\$ 9,587,917</u>
Transfers Out	\$ -	\$ 16,488	\$ -	\$ 16,488
Expenditures				
Salaries	3,050,309	926,403	195,782	4,172,494
Travel	22,043	14,249	5,256	41,548
Host	-	-	11,132	11,132
Operations	552,606	540,600	125,465	1,218,671
Library Operations	4,330,416	214,971	171,990	4,717,377
Sales & Service Recharge	-	(5,825)	-	(5,825)
Equipment	9,980	28,321	40,000	78,301
Total Expenditures	<u>\$ 7,965,354</u>	<u>\$ 1,718,719</u>	<u>\$ 549,625</u>	<u>\$ 10,233,698</u>
Balance June 30, 2012	<u>\$ 7,008</u> ¹	<u>\$ 637,034</u>	<u>\$ 1,388,545</u> ²	<u>\$ 2,032,587</u>

	State Accounts	Self Supporting Accounts	Gift Accounts	Totals
Balance July 1, 2012	\$ -	\$ 637,034	\$ 1,570,596 ²	\$ 2,207,631
Transfers In	\$ -	\$ 60,000	\$ -	\$ 60,000
Revenues				
State Appropriations	6,313,695	-	-	6,313,695
Tuition & Fees Unrestricted	-	1,448,493	-	1,448,493
Indirect Cost	-	127	-	127
Sales Education Account	-	132,936	-	132,936
Local GC Restricted	-	-	96,000	96,000
Private GGC Restricted	-	-	500	500
Endowment Income	-	-	41,286	41,286
Total Revenues	\$ 6,313,695	\$ 1,581,556	\$ 137,786	\$ 8,033,037
Transfers Out	\$ -	\$ 200	\$ -	\$ 200
Expenditures				
Salaries	3,075,047	899,194	33,211	4,007,452
Travel	1,586	4,086	2,021	7,693
Host	-	-	3,873	3,873
Operations	260,679	180,162	4,238	445,079
Library Operations	519,236	1,118,757	105,666	1,743,659
Sales & Service Recharge	-	(1,543)	-	(1,543)
Equipment	21,747	-	-	21,747
Encumbered Equipment	-	10,011	-	10,011
Total Expenditures	\$ 3,878,295	\$ 2,210,667	\$ 149,009	\$ 6,237,971
Balance October 31, 2012	<u>\$ 2,435,400</u>	<u>\$ 67,723</u>	<u>\$ 1,559,373</u>	<u>\$ 4,062,496</u>

1 According to the UNR Planning, Budget and Analysis Office, this balance was combined and balanced with the activity in other state funded accounts. It does not reflect a reversion of state funds.

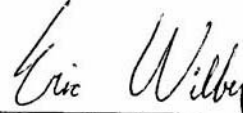
2 Variance is due to a timing difference related to gifts received by the UNR Foundation but not posted to the Libraries account until July 2012.

The Internal Audit Department appreciates the cooperation and assistance received from
Libraries personnel during this review.

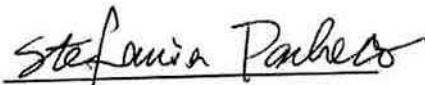
Reno, Nevada
August 16, 2013



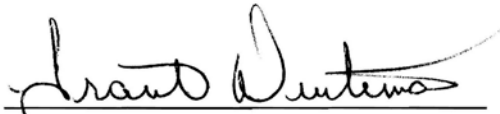
Debbie L. Ottaviano
Senior Internal Auditor




Eric Wilber
Senior Internal Auditor



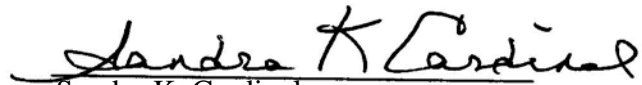
Stefania Pacheco
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Memorandum

To: Scott Anderson, Director of Internal Audit, NSHE
From: Tom Judy
Date: April 25, 2014
Subject: Libraries

The purpose of this memorandum is to transmit the response from University Libraries to the audit of Libraries for the period July 1, 2011 through October 31, 2012.

I have reviewed and concur with all responses.

cc: Marc Johnson, President
Ronald Zurek, Vice President, Administration and Finance
Kathlin Ray, Dean, University Libraries



AUDIT

Libraries

AUDIT PERIOD

July 1, 2011 through
October 31, 2012

NUMBER OF RECOMMENDATIONS

51

#	Recommendation	Implemented	Est. Date of Completion
CASH CONTROLS			
1	Cash drawers be handled in compliance with the established policy.	Yes	
2	A form be developed to document the count and reconciliation of the sales receipts to the sales documentation when cashiers change.	Yes	
3	The form be signed by two employees for verification purposes.	Yes	
4	The filing cabinet remain locked at all times.	Yes	
5	The key to the filing cabinet be maintained in a secure area to which only authorized employees have access.	Yes	
6	Procedure for processing refunds be developed.	Yes	
7	The refund procedures be included in the procedures manual.	Yes	
8	Another employee be trained to prepare deposits in case the individual that currently performs this task is unavailable to do so.	Yes	
9	Deposits be made in accordance with the university policy and that revenue be posted to the correct revenue category.	Yes	

#	Recommendation	Implemented	Est. Date of Completion
10	A policy and procedures manual be developed to establish controls and to promote consistency in these processes.	Yes	

11	Deposits be made in accordance with the university policy.	Yes	
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ACCOUNTS RECEIVABLE

12	Accounts with material balances for which the library has not received payments for an extended period of time be turned over to a collections agency.	Yes	
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13	Policy be developed regarding past due accounts and the timeframe for forwarding accounts to collections.	Yes	
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14	Policy be included in the Circulations Desk Procedures Manual.	Yes	
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15	The outstanding balance report be reviewed more frequently to help alleviate large account balances and to promote more timely collections.	Yes	
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16	A review be performed to determine whether the library's reservation system can be programmed to place a hold on customer accounts as soon as the outstanding balance reaches \$40.00.	Yes	
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17	Policy be updated for placing holds on student accounts for unpaid fines.	Yes	
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18	The accounts receivables be reported to the Controller's Office at the conclusion of each fiscal year.	Yes	
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RECHARGE

19	Libraries administration in conjunction with the Business and Finance Office, review this issue and determine whether purchasing cards are an acceptable method of payment at the university's recharge centers.	Yes	
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#	Recommendation	Implemented	Est. Date of Completion
20	Policies and procedures be developed to accurately process and record these transactions in the financial accounting system.	Yes	

LEAVE RECORDS

21	Leave request forms be submitted and approved in a timely manner.	Yes	
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22	Leave taken by the employee be processed as leave without pay and that the leave be restored to the employee's annual leave balance.	Yes	
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23	Leave request forms be submitted and approved in a timely manner.	Yes	
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24	Leave taken by the employee be processed as leave without pay and that the leave be restored to the employee's annual leave balance.	Yes	
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EQUIPMENT INVENTORY

25	Determine disposition of the missing item.	Yes	
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26	Greater care be taken in the future to process these transactions through the BCN Purchasing Department as required.	Yes	
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27	Any necessary adjustments be made to the equipment inventory report.	Yes	
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28	Replacement tags be obtained from BCN Purchasing Department for the items.	Yes	
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29	Tags be maintained in a hard copy file with a reference list that includes the asset number, description, and location of each item.	Yes	
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30	BCN Purchasing Department be requested to update the equipment inventory report with the correct locations of these items.	Yes	
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31	Greater care be taken to ensure the purchasing department is notified as equipment is moved.	Yes	
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32	The department determine the disposition of this item.	Yes	
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#	Recommendation	Implemented	Est. Date of Completion
33	The item be removed from the sensitive equipment list and that greater care be taken to ensure these transactions are processed through the BCN Purchasing Department as required.	Yes	
34	Sensitive equipment list be updated to reflect the correct location for these items.	Yes	
EXPENDITURES			
35	Purchase orders be completed in advance as required by NSHE.	Yes	
36	Purchase orders be completed as required.	Yes	
37	Expenditures be approved by authorized employees.	Yes	
38	Agendas be provided when only UNR employees are present at hosted events, as required by university policy.	Yes	
39	A description of goods and/or services purchased by recorded on the payment documentation.	Yes	
40	Greater care be taken to ensure expenditures are charged correctly.	Yes	
41	Written procedures be developed to document the process that is followed by Libraries personnel when making purchases of information services and resources.	Yes	
42	Procedures should include adequate internal controls, such as requiring additional signature approvals as the amount of purchases increases.	Yes	
INDEPENDENT CONTRACTOR AND GUEST SPEAKERS			
43	Forms be reviewed and approved by the required parties prior to the start of the contract period.	Yes	

#	Recommendation	Implemented	Est. Date of Completion
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STUDENT WORKERS

44	Students be reminded that in accordance with the university's student employment policies, they are not to work during class time.	Yes	
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45	Students be instructed to provide an explanation on their timesheet.	Yes	
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TELEPHONES

46	A determination be made as to whether there is a need for the telephone lines.	Yes	
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47	Campus Computing and Telecommunications Department be contacted to have the lines and related charges removed from the Libraries' telephone billings.	Yes	
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VOLUNTEERS

48	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.	Yes	
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ADMINISTRATIVE SECURITY

49	The security profiles for these employees be reviewed and updated to eliminate the unnecessary access.	Yes	
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50	A procedure be implemented within the department to ensure access to the applications is reviewed on a regular basis.	Yes	
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CONTRACTS

51	Contracts be signed before work or services are performed.	Yes	
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