

Nevada System of Higher Education

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May 5, 2014

MEMORANDUM

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

FROM: ^{SA} Scott Anderson, Director of Internal Audit

SUBJECT: Internal Audit Report
Audit Committee – May 30, 2014

The Internal Audit Department has completed the enclosed 10 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. University of Nevada, Reno
Department of Parking and Transportation Services (Reference A-5)
July 1, 2011 through June 30, 2013
 - We noted the monthly account summaries, which reflect the department's sales and expenditure activity are not reviewed and approved by the Assistant Director. We recommend the account summaries be provided to the Assistant Director and reviewed for reasonableness and any unusual transactions.
 - The Assistant Director is responsible for processing refunds and fee adjustments to customer accounts in certain circumstances. We noted these transactions are not reviewed on a regular basis by an independent staff member. We recommend these transactions be reviewed by independent personnel for reasonableness.
 - We noted the department generates a printed billing statement for unpaid citations for up to seven years. The expenses involved in mailing the statements

over a seven year period may exceed the balance of the accounts. We were informed the department is reviewing a new software package that would allow statements to be sent electronically. We recommend the department consider reducing the period in which printed billing statements are mailed and continue to review the feasibility of issuing electronic statements.

-We noted temporary parking permits are not reconciled to inventory and payment records. We recommend the department develop a process for reconciling temporary parking permits on a regular basis.

Hours Budgeted: 400

Actual Hours: 526

Additional time was spent training a new staff member and completing certain areas of the audit that took longer than expected.

2. University of Nevada, Reno
Housing (Reference A-6)
July 1, 2012 through September 30, 2013

-Four employees are responsible for applying housing charges, posting payments, preparing deposits, and making fee adjustments or reversals in the student information system. We noted there is not an independent review or proper segregation of duties for these activities. We recommend the department develop a process to ensure the employees who apply fees and record financial transactions in the student information system are independent of employees who review and reconcile student accounts.

-According to the Nevada Revised Statutes, the Nevada Administrative Code, and the International Fire Code (IFC), fire drills are required to be conducted in college and university buildings four times annually and must be documented in accordance with IFC regulations. During this review, we noted fire drills were conducted in the residence halls once per year and records of the fire drills were not formally documented. We recommend the department, in conjunction with university administration, determine the extent to which the regulations noted are applicable to the university's residence halls and buildings and that the necessary steps be taken to ensure compliance.

-We noted there are approximately 45 unused telephone lines in the residential halls, which are located in the resident assistants' rooms. Due to the universal use of cellular telephones, the handsets have been removed from the lines and the lines are no longer used. The lines are still active, however, and incur a cost to the department of approximately \$11,000 a year. We recommend the department work with university administration to determine whether the unused lines could be deactivated so the charges are not incurred. If it is determined that the lines are necessary in the residential halls, we recommend the hand-sets be reconnected so the lines can be utilized.

Hours Budgeted: 350

Actual Hours: 442

The department has grown significantly since the prior audit was conducted and the scope of the audit was expanded moderately. Additional time was also spent training a new staff member.

3. University of Nevada, Las Vegas
Continuing Education (Reference A-7)
July 1, 2012 through September 30, 2013

-We noted daily backups of registration data was being performed but the backups were not stored at an off-site location. We recommend the Office of Continuing Education determine the feasibility of storing the backups at an offsite location in order to facilitate the restoration of data in the event of a disaster.

-We noted one laptop computer could not be located. It was determined the computer was stolen; however, a police report had not been filed. We also noted a number of unused laptops that were identified as surplus that were retained in the department. We recommend the department file a police report for the missing laptop computer. We also recommend the unused laptops be reported as surplus equipment to the UNLV Inventory Control Department.

Hours Budgeted: 300

Actual Hours: 294

4. University of Nevada, Las Vegas
School of Dental Medicine Residency Determinations (Reference A-8)
January 1, 2013 through December 31, 2013

-We reviewed the process for reclassifying students' residency status. We noted two students under age 24 whose applications indicated they were not claimed as dependents by their parents and were financially independent. The students were granted in-state residency; however, the tax returns of the students' parents were not obtained to confirm the students' independent status, as required by Board of Regents policy. We recommend parental tax returns be obtained to confirm students under age 24 are not dependents.

-We noted one student over age 24 claimed financial independence but did not provide recent tax returns to support the claim. No further verification was performed by the School of Dental Medicine to identify the student's source of financial support. We recommend the School of Dental Medicine obtain tax returns or other documented information that shows students' source of financial support, as required by Board of Regents policy.

Hours Budgeted: 150

Actual Hours: 135

5. University of Nevada, Las Vegas
William S. Boyd School of Law Residency Determinations (Reference A-9)
January 1, 2013 through December 31, 2013

-We noted 15 of 21 residency reclassification requests that occurred during the audit period did not include required documentation to demonstrate compliance with Board of Regents and UNLV policies. These exceptions included three instances in which tax returns were not obtained or retained, eight instances in which documentation was not in place to support 12 months of continuous Nevada residency, and four instances in which residency documentation was incomplete. We recommend the required documentation be obtained, reviewed, and verified before granting reclassification of residency status.

-We noted six of 25 initial in-state residency determinations tested did not include the required documentation. This included three instances in which documentation was not in place to support 12 months of continuous Nevada residency and two exceptions in which a high school diploma or transcripts were not on file to support graduation from a Nevada high school. We also noted one exception related to a student that had previously attended an NSHE institution, but was not supported with a letter or other documentation from the institution attended to show the student had been granted in-state residency. We recommend the law school withhold the granting of in-state residency status until the required supporting documentation is obtained, reviewed, and verified.

-We noted written desktop procedures are not in place to identify the key processes, cycle dates, and responsibilities that are assigned to law school administration for managing residency determinations. We recommend the development of written procedures to provide staff with guidance and to promote consistency in the performance of this function.

Hours Budgeted: 150

Actual Hours: 115

6. NSHE System Office
Account Balance Analysis (Reference A-10)
July 1, 2008 through June 30, 2013

-We noted the balance of one Sponsored Programs Office account was understated by approximately \$185,000 in the financial accounting system, as of June 30, 2013. This occurred due to the manner in which the ending balance was calculated over the five year period. We recommend the account balance be corrected and that greater care be taken to ensure account balances are accurately reflected in the financial accounting system.

Hours Budgeted: 250

Actual Hours: 229

7. Nevada State College
Student Financial Aid (Reference A-11)
July 1, 2012 through June 30, 2013

-The Department of Education (DOE) requires the earned and unearned portions of Title IV student aid to be calculated when a student withdraws from a postsecondary institution. Unearned portions of student aid are required to be returned to the DOE. To calculate the earned and unearned portions, the total number of calendar days in a period of enrollment is required to be considered, except scheduled breaks of at least five consecutive days which should be excluded from the calculation base. We noted the period of enrollment for the spring 2013 semester included eight days for spring break. We recommend the Office of Financial Aid and Student Employment (OFASE) ensure the period of enrollment dates that are established within the student information system exclude scheduled breaks of at least five consecutive days. We also recommend NSC's spring 2013 calculation for return of Title IV funds be reexamined to determine whether adjustments are needed, due to the inclusion of the eight spring break days.

-The OFASE applies full-time credit loads to calculate the fees portion of the cost of attendance for all students, regardless of their actual credit load. The amount of financial aid issued is later prorated based on students' actual enrollment. According to OFASE administration, this methodology has simplified the process of calculating financial aid within the new student information system. We noted, however, that there is not a process in place that shows students' cost of attendance based on their actual enrollment level. We recommend a process be developed to show the actual enrollment in the cost of attendance to ensure the amount of financial aid issued to students is accurate and has not been over-awarded.

Hours Budgeted: 300

Actual Hours: 450

This was the initial review of this area. A significant amount of time was spent researching and learning the applicable rules that govern the issuance of student financial aid.

8. Truckee Meadows Community College
Student Government Association (Reference A-12)
July 1, 2012 through June 30, 2013

-We reviewed a sample of nine Student Government Association (SGA) meetings to determine whether records were properly maintained and the meetings were held in compliance with the Nevada Open Meeting Law. We noted minutes

were not available for two of the nine meetings. We recommend minutes be prepared and made available within 30 working days, as required by the open meeting law.

-We noted supporting documentation was not available for deposits made by student clubs and organizations, other than the cashier's office receipt. The college's cash handling procedures require a well-documented trail of evidence and accountability of receipts from the time funds are received to the time of deposit. We recommend that the SGA review the college's cash handling procedures with student clubs and organizations.

Hours Budgeted: 240

Actual Hours: 235

9. Western Nevada College
PeopleSoft Security (Reference A-13)
September 1, 2013 through November 30, 2013

-Similar to issues noted with the other institutions in the shared instance, there is a lack of adequate documentation regarding the job functions served and data affected by the various roles and permission lists that have been established. Further, the design of roles and permission lists does not follow best practice design criteria. We recommend that WNC work with System Computing Services and the other institutions within the shared instance to begin a process of migrating to a more modular, best practice design philosophy.

-We evaluated user access to 174 different pages that were deemed to contain sensitive data across the main functional areas of the PeopleSoft system. We noted six users with various types of invalid role assignments and excessive access rights. We recommend that WNC modify the role assignments of these employees and conduct regular reviews of user roles to ensure role assignments and authorization levels are appropriate.

Hours Budgeted: 300

Actual Hours: 124

10. Great Basin College
PeopleSoft Security (Reference A-14)
July 2, 2013 through September 20, 2013

-Similar to issues noted with other institutions in the shared instance, there is a lack of adequate documentation regarding the job functions served and data affected by the various roles and permission lists that have been established. Further, the design of roles and permission lists does not follow best practice design criteria. We recommend that CSN work with System Computing

Services and the other institutions within the shared instance to begin a process of migrating to a more modular, best practice design philosophy.

-We evaluated user access to 177 different pages that were deemed to contain sensitive data across the main functional areas of the PeopleSoft system. We noted 20 users with various types of invalid role assignments and excessive access rights. We recommend that GBC modify the role assignments of these employees and conduct regular reviews of user roles to ensure role assignments and authorization levels are appropriate.

Hours Budgeted: 300

Actual Hours: 151

Follow-up responses have been submitted for four internal audit reports presented to the Audit Committee at your meeting on December 2, 2013. The current status of the recommendations follows.

1. University of Nevada, Reno
Student Accounts-PeopleSoft (Reference A-2b)
Fall 2012 and Spring 2013

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

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

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

3. Desert Research Institute
Facilities (Reference A-2d)
July 1, 2011 through February 28, 2013

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

-We recommend the server be properly administered so it is updated with this information as it becomes available.

4. Great Basin College
Special Course Fees (Reference A-2e)
January 1, 2012 through December 31, 2012

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