

NEVADA STATE COLLEGE  
BOOKSTORE OPERATIONS CONTRACT  
Internal Audit Report  
April 1, 2013 through May 31, 2014

GENERAL OVERVIEW

Nevada State College (NSC) has contracted with Barnes & Noble College Booksellers (Contractor) on an exclusive basis to operate the NSC Bookstore. The agreement with the Contractor is for a five year period from June 1, 2013 through May 31, 2018 with an option to renew for one additional year after this time. In return for the right to provide services, the Contractor pays the college commissions based on a percentage of sales activity or a guaranteed amount, whichever is greater. NSC received \$80,000 in commissions during the first year of the contract.

The NSC Bookstore falls administratively under the Office of the Vice President for Finance and Business Operations. The Contractor manages the day to day operations of the bookstore through its bookstore manager.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the bookstore operations contract for the period of April 1, 2013 through May 31, 2014. This period coincides with the first contract year commencing on June 1, 2013 and ending on May 31, 2014.

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. Reviewing the bookstore operations contract to determine whether it was completed and signed in accordance with Nevada System of Higher Education (NSHE) contract policy.
2. Reviewing commissions paid to the college for accuracy, supporting sales records and timeliness.
3. Testing support of required facilities improvements.
4. Testing discounts extended to college departments and full-time staff for compliance with the bookstore operations contract.
5. Verifying whether required insurances, licenses, and permits were obtained and are on file.
6. Verifying whether required customer surveys were completed.
7. Testing the availability of textbooks, the textbook buyback program, and textbook pricing for reasonableness and compliance with the bookstore operations contract.

In our opinion, we can be reasonably assured that the bookstore operations contract is being properly administered. However, implementation of the following recommendations would further improve compliance with the contract terms.

### CUSTOMER SURVEYS

The bookstore operations contract states the Contractor will develop a form acceptable to NSC and at least annually conduct a customer satisfaction survey. The results of the survey are to be shared with college personnel. During our discussion with NSC Bookstore management, we were informed the survey was not performed during the first year of the agreement.

We recommend the Contractor be requested to conduct surveys in accordance with the bookstore operations contract.

## **Institution Response**

- What will be done to avoid the identified problems and issues in the future;

**Barnes & Noble College commits to sending out a minimum of two surveys to Nevada State College students and faculty annually. These surveys will allow us to identify the likes and dislikes of students and faculty, areas for improvement, potential new initiatives and nationwide trends. Barnes and Noble will work with administration to customize the survey questions to meet the needs of the institution and to administer the surveys. The surveys will be conducted on March 1st and October 1st of each year and allow a two week time period for response collection.**

- How compliance and future good management and practice will be measured, monitored and assured;

**The results of the surveys will be compiled and shared with Nevada State College representatives within two weeks of the close of each survey period. Should Nevada State College have any issues with the surveys or results, Barnes & Noble College commits to addressing these concerns within 30 days of the College's notification.**

- Who will be responsible and may be held accountable in the future if repeat or similar problems arise;

**The Regional Manager for Barnes & Noble will be responsible for ensuring the survey is conducted and the results disseminated.**

- When the measures will be taken and on what schedule compliance and good practice will be secured; and

**The first survey of Nevada State College students and faculty will be conducted on October 1, 2015.**

- How compliance and performance will be documented for future audit, management and performance review.

**Barnes and Noble will provide summary results of the surveys within two weeks of the completion of each survey period. Summary results will be retained by the Vice President of Finance and Business Operations for a period of two years following acceptance of the report.**

**Follow Up: The Contractor, Barnes and Noble, has acknowledged their responsibility to conduct the surveys. Consistent with the initial response, the initial survey instrument has been developed and the first survey was distributed October 1, 2015.**

**Nevada State College Requests this item to be closed.**

## SCHOLARSHIPS

The bookstore operations contract states the Contractor will make annual \$2,000 contributions for scholarships at the beginning of each contract year. We noted the scholarship payment for the first contract year was not made until the end of the year.

We recommend the Contractor be requested to make scholarship payments at the beginning of each contract year in accordance with the bookstore operations contract.

### **Institution Response**

- What will be done to avoid the identified problems and issues in the future;

**Barnes & Noble College will make an annual \$2,000 contribution for scholarships within 30 days of beginning of each contract year (June, 1st). The Office of Controller will invoice the contractor for \$2,000 each year on May 15, due June 1 payable to the NSC Foundation.**

- How compliance and future good management and practice will be measured, monitored and assured;

**The Office of Controller will monitor the receivable for the Foundation monthly and will send a statement monthly to the contractor until the invoice is paid. On the contractor side, the payments will be scheduled in the Barnes and Noble contract administration software that electronically triggers reminders of when payments are due, which assures all payments are made on time and per contractual regulations.**

- Who will be responsible and may be held accountable in the future if repeat or similar problems arise;

**The NSC Controller is responsible to invoice and monitor monthly. The Regional Manager for the contractor is responsible for making payments in a timely manner.**

- When the measures will be taken and on what schedule compliance and good practice will be secured; and

**The scholarship payment for the current contract year (June 1, 2014 through May 31<sup>st</sup>, 2015) was sent to the NSC Foundation on June 30, 2014. The scholarship payment for the upcoming contract year (June 1, 2015 through May 31, 2016) will be sent to NSC Foundation within 30 days of June 1<sup>st</sup>, 2015. Scholarship payments for future periods will be sent to NSC Foundation within 30 days of the end of each contract period.**

- How compliance and performance will be documented for future audit, management and

performance review.

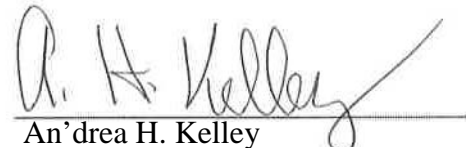
**Each check is accompanied with a cover letter identifying the nature of the payment. The invoices, monthly statements (if any), copies of payments with cover letter will be retained for a period of 5 years by the NSC Foundation.**

**Follow Up: The NSC Controller has developed a process for invoicing the contractor, Barnes and Noble, for their annual scholarship. The first invoice was sent June 1, 2015 and payment dated June 22, 2015 has been received.**

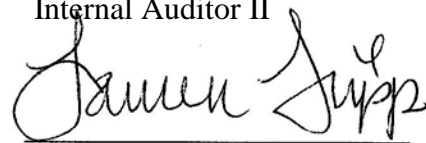
**Nevada State College Requests this item to be closed.**

The Internal Audit Department appreciates the assistance and cooperation received from Barnes and Noble College Booksellers and NSC personnel during this review.

Las Vegas, Nevada  
January 28, 2015



An'drea H. Kelley  
Internal Auditor II



Lauren Tripp  
Internal Audit Manager



Scott Anderson  
Director of Internal Audit



October 7, 2015

Mr. Joe Sunbury  
Chief Internal Auditor  
Nevada System of Higher Education  
2601 Enterprise Road  
Reno, Nevada 89512

RE: Nevada State College Bookstore Operations Contract Follow-Up Audit April 1, 2013 – May 31, 2014

Dear Joe:

Attached are NSC's responses to the findings detailed in the above-mentioned audit.

**AUDIT:** Nevada State College Bookstore Operations Contract Follow-Up Audit

**AUDIT PERIOD:** April 1, 2013 – May 31, 2014

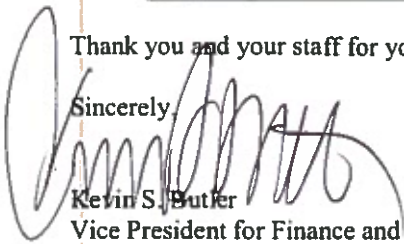
**RECOMMENDATIONS:** 2

**NUMBER OF RECOMMENDATIONS COMPLETELY IMPLEMENTED:** 2

NBR.	RECOMMENDATION	AGREE	IMPLEMENTED
1.	Customer Surveys	Yes	Yes
2.	Scholarships	Yes	Yes

Thank you and your staff for your continued assistance and for all of their efforts.

Sincerely,



Kevin S. Butler  
Vice President for Finance and Business Operations

cc: Sarah Farris  
Richard Hendrickson