

WESTERN NEVADA COLLEGE
LIBRARIES
Internal Audit Report
July 1, 2013 through October 31, 2014

GENERAL OVERVIEW

The Western Nevada College (WNC) Libraries includes the Dini Library on the Carson City campus and the Beck Library on the Fallon campus. Both locations include traditional library resources, digital and multimedia resources, and multiple computer work stations for students, faculty, and the general public. The Dini Library is the newer of the two facilities opening in 2004. The Dini Library also houses the college's media services function. The Libraries has an annual operating budget of approximately \$1.2 million and employs ten professional, three classified, and 32 part-time staff.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Libraries at WNC for the period of July 1, 2013 through October 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. 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.

In our opinion, we can be reasonably assured that the WNC 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 reviewed the procedures for collecting, storing, and depositing receipts at the circulation desks located in the Dini and Beck Libraries. The following exceptions were noted.

1. There is a lack of segregation of duties in that only one person is involved in the preparation of the cash deposit. We also noted a form does not exist to document the count and reconciliation of the receipts to the cash register sales report. In addition, we noted the same person that prepares the deposit at the Dini Library also delivers the receipts to the Controller's Office.

For improved control, we recommend two employees be involved in the count of the cash drawer and preparation of the deposit. We recommend a form be created to document the count and reconciliation of the sales receipts to the cash register sales report. We recommend the form include any cashier variances and that it be signed by the employees involved in the count. We also recommend an employee that is not involved in the preparation of the deposit deliver the funds to the Controller's Office.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

Three employees are now preparing the cash deposit. Two library employees count the cash together and use a reconciliation form to record currency and coin quantities and note any variance between the cash register Z tapes and the amount of cash recorded on the reconciliation form. Both employees sign the reconciliation form when the count is complete. The deposit is delivered to a third employee. The third employee verifies the amount listed on the reconciliation form, enters the amount of the deposit into the financial management system and delivers the deposit to the college business office.

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

Written procedures for counting, handling and depositing cash receipts have been created and distributed to staff involved in handling cash deposits.

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

Cash handling procedures have been created to document all the steps in the process and have been provided to all department staff involved in handling cash. Periodic inspections of paper records and account deposits online will be made on a regular basis and the results documented.

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

The Director of Library & Media Services is ultimately responsible for ensuring proper cash handling procedures are being followed.

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

The new procedures for handling cash register receipts were implemented in December, 2014. Cash register reconciliations are being conducted on a weekly basis.

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

The Library Director will make periodic inspections of deposit documentation as well as comparisons of recorded deposits and actual amounts recorded in the financial management system.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

2. Cashier overages and shortages are not tracked.

For improved accountability, we recommend cashier variances be documented on a log each time the cash register is closed out. We recommend the log include the date, amount, and the staff member(s) working the register when the variance occurred. We also recommend the log be periodically reviewed by Libraries management for identification of over/short trends.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

Cashier variances are addressed in the department's cash handling procedures and staff members have been instructed if possible to note errors on the cash register receipt when they occur.

When a variance is noted during the weekly cash register count not accounted by an error receipt, the cash register tape is searched for the error. If the error is found on the cash register tape, documentation of the error is copied from the tape and filed in a binder along with copies of reconciliation sheets. Shortages and overages are noted on the reconciliation sheet and the sheets are signed by the two employees conducting the cash register reconciliation.

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

New procedures noted above have been implemented and will be monitored by the Director of Library & Media Services.

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

Reconciliation sheets documenting any variances are kept in a binder and will be periodically reviewed by the Library Director for accuracy and potential trends.

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

The Director of Library & Media Services is ultimately responsible for ensuring proper cash handling procedures are being followed.

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

New procedures were implemented in December 2014 and are being performed on a weekly basis.

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

Documentation in the form of reconciliation worksheets and overages and shortages will be monitored on a regular basis.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

3. The “No Sale” feature on the cash register is used by employees to access the register in order to provide change to students and others for the copy machine. The ability of cashiers to use the “No Sale” key increases the risk that funds could be misappropriated. We recommend use of the “No Sale” key be disabled and that a separate cash box be maintained by a single staff member for use in making change.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

The “no sale” key has been disabled. Due to the number of hours the library is open, assigning responsibility for a cash box to one individual is impractical. In order to comply with the audit recommendations, library management made the decision to no longer provide change for students and to eliminate the library cash box.

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

As noted above, the “no sale” key has been disabled and the library is no longer providing students with change or maintaining a cash box.

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

With the “no sale” key disabled there is no other way to open the cash register without recording a sale. As noted above, the cash box has been eliminated.

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

The Director of Library & Media Services is ultimately responsible for ensuring change is no longer made for students and that the “no sale” key is not enabled.

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

Periodic checks will be made to ensure the “no sale” key remains disabled.

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

The cash register Z tapes will be examined for evidence of the enabling of the “no sale” key. As noted above the cash box has been eliminated.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

4. The cash registers at both libraries produce a sequentially numbered sales report that identifies the total amount of sales that have accumulated since the report was last created. The report is generated by cashiers when a deposit is prepared and is useful for reconciling to deposit amounts. When the report is created, the accumulation of recorded sales is zeroed out. During this review, a missing sales report was noted. Although it was determined the missing report was for an immaterial amount, we noted Library management was not aware of the missing report or that the reports are sequentially numbered.

We recommend a procedure be implemented to track the sequence of sales report numbers and to reconcile the reports to the deposits that are posted to the financial accounting system.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

A new procedure has been implemented to reconcile the cash register receipts. After the cash register reconciliation, a copy is made of the Z tape, any entry variances or voids and the reconciliation sheet. A copy is made for the Library Director and each deposit is verified by the Director in the financial management system upon receipt of the copy.

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

As noted above, a new procedure has been implemented to track the sales report numbers and reconcile the deposits posted in the financial system.

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

A paper copy of the reconciliation report will be maintained in the Director's office with a notation of the date the deposit was verified in the financial management system.

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

The Library Director is ultimately responsible for ensuring recorded deposits match amounts recorded in the financial management system.

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

The new procedure for verifying deposit amounts was implemented in April 2015 and will be conducted for each future deposit.

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

A paper copy of the reconciliation report will be maintained in the Director's office with a notation of the date the deposit was verified in the financial management system.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

5. When deposits are delivered to the Controller's Office by Dini Library staff, we were informed the deposits are left in a secure area but are not counted in the presence of a Controller's Office employee. As a result, a receipt is not obtained by staff. WNC policy requires deposits to be counted and receipted by the Controller's Office in the presence of the courier. We recommend this policy be followed and that the Controller's Office receipt be maintained by library staff.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

Deposits made by library staff are verified by WNC Business Office staff and receipted with a stamp and the initials of the business office staff member verifying the cash count.

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

Deposits will not be left with the Business Office staff unless it has been verified with a

stamp and initialed.

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

Copies of the receipts will be provided to the Library Director for verification of the deposits.

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

The Library Director and the WNC Controller are ultimately responsible for ensuring deposits are counted and verified by WNC Business Office staff.

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

The new measures were implemented in February 2015. The deposits are being verified by the Director of Library & Media Services.

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

Paper records of stamped and initialed deposit sheets will be maintained by the Library & Media Services Administrative Assistant and verified by the Director of Library & Media Services.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

6. Policies and procedures have not been developed that address the Libraries' cashiering function.

We recommend a policies and procedures manual be developed to establish controls, such as those identified above, and to promote consistency in the cashiering function.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

An interim cash handling procedure was developed and implemented in December 2014. After a few months of using the procedure, it was refined and finalized in April 2015.

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

The new cash handling procedure was incorporated into a procedures manual identifying staff roles and describing the cash handling procedure from receipt of cash to the delivery of cash receipts to the college business office.

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

Paper records have been created to document the various steps of the cash handling process. Periodic inspection of the paper records as well as online verification of deposits will assure cash handling procedures meet the requirements of the audit recommendations.

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

The Library Director is ultimately responsible for ensuring departmental compliance with the cash handling procedures.

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

As noted above, interim cash handling procedures were developed and implemented in December 2014. A final version of the cash handling procedures was incorporated in a procedures manual in April 2015.

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

As noted above, documentation has been created for the various steps in the cash handling process and will be available for inspection in future audits or reviews.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

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 two were not signed before the contract period began. We were also informed that a list of contracts is not maintained by the Libraries.

We recommend that contracts be completed and signed prior to the contract period. We also recommend a list of Libraries contracts be maintained with their corresponding end dates to help ensure ongoing agreements that require renewal are completed and signed in a timely manner.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

A list of database contracts is maintained by the Director of Library & Media Services. The list has been expanded to include any other departmental contracts or agreements. The two facility use agreements have been added to the list and notations made on a calendar to begin the renewal process well in advance of the effective contract date.

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

The two facility use agreements noted above have been added to a list of department contracts and reminders added to a calendar well in advance of the effective dates of the agreements.

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

Both of the facility use agreements are with entities with elected boards. In the past, renewal efforts have been started before the expiration of the agreements but delays in public notice requirements and meeting dates have delayed the process. The renewal of the two agreements and any other agreements will begin well in advance of the effective dates.

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

The Director of Library & Media Services is responsible for all contracts and agreements within the department.

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

Reminders have been created on a calendar to ensure the facility use agreements negotiations are initiated with enough lead time to complete the contracts prior to their effective date.

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

The list of contracts and agreements will be maintained by the Director of Library and Media Services and made available for inspection to relevant authority upon request.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

EXPENDITURES

A sample of 38 expenditures was reviewed for proper supporting documentation, approval, reasonableness, and compliance with established purchasing procedures. We noted four occasions in which an expenditure greater than \$2,000 was not processed on a purchase order through the Business Center North (BCN) Purchasing Department, as required.

We recommend established purchasing policies be followed.

Institution Response

WNC agrees with the audit finding and recommendation.

How compliance was achieved.

All expenditures over \$2,000 are now ordered through Business Center North purchasing department.

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

Purchases will be monitored by the Library Director and the WNC Business Office to ensure compliance with the recommendation.

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

Purchases will be monitored by the Library Director and the WNC Business Office to ensure compliance with the recommendation.

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

The Library Director is ultimately responsible for ensuring purchases for over \$2,000 are handled through Business Center North.

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

Library & Media Services implemented the purchasing changes effective September 2014.

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

All purchases will be monitored by both the WNC Business Office and Business Center North for compliance with the recommendation. In addition, WNC has made a recommendation to the NSHE Business Officers as well as the Board of Regents to incorporate streamlined purchasing procedures for the majority of purchases from \$2,000 to \$4,999 to align purchasing regulations to the purchase card thresholds, which were amended this year to encourage using the P-card for purchases up to \$4,999.

Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of four self-supporting and three state accounts that have been assigned to Libraries. The revenue and expenditure information was obtained from the financial accounting system.

As indicated in the statement, there was a balance of state funds remaining at the conclusion of fiscal year 2013-14. We were informed the balance was encumbered prior to year-end and as a result, the funds were not returned to the State. Upon further review, however, we noted \$4,485 of the encumbrance was not spent until December 17, 2014 which was well after the date in which year-end encumbrances of state funds were required to be expended.

We recommend the college contact the NSHE Budget Office to determine whether the \$4,485 should be returned to the State of Nevada.

Institution Response

WNC agrees with the audit finding and recommendation.

This was a unique situation in which a purchase order was issued for services near the end of the fiscal year. The work was completed within the timeframes for meeting the year-end deadlines, but there were deficiencies in the work done and it was determined not to pay the contractor until the deficiencies were resolved. It was felt that if the contractor was paid there would be no way to force him back to correct the problems. There was a disconnect in year-end processing and this issue slipped through the year-end review and was paid after the state mandated cut-off period.

How compliance was achieved.

The Controller and President consulted with the Vice Chancellor of Finance and it was determined that the funds were to be returned to the State Treasurer's Office. This was processed in May 2015.

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

In the future, purchases made near the fiscal year end will be closely monitored to ensure that the project/purchase will be completed before the state year-end cutoff. Any purchases that may not meet the deadline will be cancelled or rolled forward to use current year funds.

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

The Business Office staff will run reports after year end and will closely monitor the closeout of these open purchase orders. Reminders will be sent to the various departments so that they are aware of what is outstanding and can react in a timely manner. In the event of a potential delay, the purchases will be disencumbered and if necessary, a reversion to the State will be made.

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

The Department issuing the purchase order will be held accountable in the future if the problem were to repeat itself.

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

The measures have already been taken and will continue to be monitored up until the State deadline.

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

Reports will be maintained each year of the open purchase orders and when they were closed.

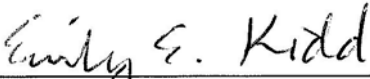
Follow-up Response: This recommendation has been implemented and we request that this finding be closed.

	State Accounts	Self Supporting Accounts	Total
Balance, July 1, 2013	\$ <u> -</u>	\$ <u> 38,596</u>	\$ <u> 38,596</u>
Revenues			
State Appropriations	1,194,481	-	1,194,481
Sales of Educational Activities	<u> -</u>	<u> 9,319</u>	<u> 9,319</u>
Total	<u>1,194,481</u>	<u> 9,319</u>	<u>1,203,800</u>
Expenditures			
Salaries	1,098,557	-	1,098,557
Operations	32,535	4,455	36,990
Library Operations	<u> 54,233</u>	<u> 465</u>	<u> 54,698</u>
Total	<u>1,185,325</u>	<u> 4,920</u>	<u>1,190,245</u>
Balance June 30, 2014	\$ <u> 9,156</u> ¹	\$ <u> 42,995</u>	\$ <u> 52,151</u>
Balance July 1, 2014	\$ <u> -</u>	\$ <u> 42,995</u>	\$ <u> 42,995</u>
Revenues			
State Appropriations	1,171,524	-	1,171,524
Sales of Educational Activities	<u> -</u>	<u> 2,361</u>	<u> 2,361</u>
Total	<u>1,171,524</u>	<u> 2,361</u>	<u>1,173,885</u>
Expenditures			
Salaries	344,788	-	344,788
Operations	3,514	503	4,017
Library Operations	<u> 27,377</u>	<u> 966</u>	<u> 28,343</u>
Total	<u>375,679</u>	<u> 1,469</u>	<u>377,148</u>
Balance October 31, 2014	\$ <u> 795,845</u>	\$ <u> 43,887</u>	\$ <u> 839,732</u>

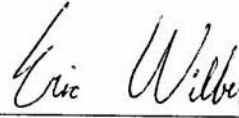
¹ See audit report for exception involving the balance of state funds.

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

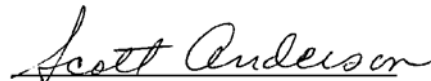
Reno, Nevada
February 6, 2015



Emily E. Kidd
Internal Auditor



Eric Wilber
Senior Internal Auditor



Scott Anderson
Director of Internal Audit

Memorandum

TO: Scott Anderson, Director of Internal Audit, NSHE

FROM: Coral Lopez, Controller

SUBJECT: Follow-Up Audit Response for Western Nevada College Library
July 1, 2013 – October 31, 2014

DATE: October 16, 2015

Attached is the follow-up response to WNC's Library audit for the period of July 1, 2013 – October 31, 2014. The recommendations and status of corrective actions are provided below.

#	Recommendation	Agree	Completed
1.	We recommend that two employees be involved in the count of the cash drawer and preparation of the deposit. We recommend a form be created to document the count and reconciliation of the sales receipts to the cash register sales report. We recommend the form include any cashier variances and that it be signed by the employees involved in the count. We also recommend an employee that is not involved in the preparation of the deposit to deliver the funds to the Controller's Office.	Yes	Yes. Recommendation has been implemented.

#	Recommendation	Agree	Completed
2.	We recommend cashier variances be documented on a log each time the cash register is closed out. We recommend the log include the date, amount and the staff members working the register when the variance occurred. We also recommend the log be periodically reviewed by Libraries management for identification of over/short trends.	Yes	Yes. Recommendation had been implemented.
3.	We recommend use of the "No Sale" key be disabled and that a separate cash box be maintained by a single staff member for use in making change.	Yes	Yes. Recommendation has been implemented.
4.	We recommend a procedure be implemented to track the sequence of sales report numbers and to reconcile the reports to the deposits that are posted to the financial accounting system.	Yes	Yes. Recommendation has been implemented.
5.	We recommend this policy be followed and that the Controller's Office receipt be maintained by library staff.	Yes	Yes. Recommendation has been implemented.
6.	We recommend a policies and procedures manual be developed to establish controls and to promote consistency in the cashiering function.	Yes	Yes. Recommendation has been implemented.
7.	We recommend that contracts be completed and signed prior to the contract period. We also recommend a list of Libraries contracts be maintained with their corresponding end dates to ensure ongoing agreements that require renewal are completed and signed in a timely manner.	Yes	Yes. Recommendation has been implemented.
8.	We recommend established purchasing policies be followed.	Yes	Yes. Recommendation has been implemented.
9.	We recommend the college contact the NSHE Budget Office to determine whether the funds should be returned	Yes	Yes. Recommendation has been implemented.