

GREAT BASIN COLLEGE
MARK H. DAWSON CHILD AND FAMILY CENTER
Internal Audit Report
July 1, 2013 through June 30, 2014

GENERAL OVERVIEW

Great Basin College (GBC) operates a child care facility on campus called the Mark H. Dawson Child and Family Center (Center). The Center was founded in 1996 and offers preschool programs and extended childcare services to GBC students, employees, and community members. The Center also operates a satellite preschool in Carlin which opened in the fall of 2009. To provide additional opportunities for child care services, the Center offers a Literacy Grant Preschool Program; which is free to children who qualify.

Child care centers operating and licensed in the State of Nevada are subject to state regulations published in the Nevada Revised Statutes (NRS) and the Nevada Administrative Code (NAC). State regulations require certain information to be maintained for children, employees, and volunteers of a child care facility.

The Center has earned national accreditation by the National Association for the Education of Young Children (NAEYC), and is licensed by the State of Nevada Bureau of Services for Child Care. The Center's mission is to provide a high quality preschool and childcare experience for each child that will instill self-worth and foster independence, influence their present potential, their future education, and their life.

The Center is managed by a director who reports to the Vice President of Academic Affairs. During the course of the audit, the Center employed seven professional, one classified and 31 employees on Letter of Appointment (LOA) contracts.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Mark H. Dawson Child and Family Center for the period of July 1, 2013 through June 30, 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 compliance with State of Nevada regulations for child care facilities.
2. Reviewing procedures for receipting, recording and depositing child care tuition and fundraising monies.
3. Examining Center contracts and agreements for proper completion and compliance with Nevada System of Higher Education (NSHE) policy.
4. Reviewing subsidy and grant management controls.
5. Reviewing leave records and timekeeping records for proper completion and appropriate pay calculations.
6. Testing expenditures for reasonableness, supporting documentation, and proper approval.
7. Examining and testing equipment inventory for proper accountability.
8. Testing controls related to information technology systems.

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

LETTER OF APPOINTMENTS

The Center hires the majority of its employees on hourly Letter of Appointment (LOA) contracts. We selected a sample of six employees and reviewed their timesheets for accurate calculation of work hours. The following exceptions were noted.

1. Variances were noted between the number of work hours recorded on the employees' time cards and the summary of employee hours that is reported to the GBC Human Resources (HR) Office and subsequently paid to the employees. As a result of these variances, a number of under/overpayments of payroll occurred including one employee that was underpaid 49 hours and another that was overpaid 68 hours during the audit period. Additional discussion disclosed some of the less significant variances were due to the department's practice of rounding in quarter hour increments instead of converting minutes to the hundredth, as required by GBC HR procedures.

We recommend the Center Director work with the GBC HR Office to determine the reason for the variances and whether there are additional employees that were under/overpaid during the audit period. We recommend any necessary payments be made to individuals that were underpaid.

Institution Response

- **To avoid the identified problems and issues in the future, the Center Director, with approval and support from Administration, has eliminated the use of time clocks for recordkeeping purposes. Only the GBC timesheet will be used for timekeeping purposes.**
- **Compliance and future good management and practice will be measured, monitored and assured by the use of newly created electronic timesheets that provide time in/time out fields specifically to track lunch breaks. Summary timesheets will no longer be accepted from departments, and all employees must submit an individual timesheet so that HR can determine the accuracy of hours documented.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**

- **Implementation of the new measures were effective October 1, 2014, once the new timesheet was created. Staff from both the Child Center and Human Resources are working together to resolve the reason for the variances and determine whether additional employees were under/overpaid during the audit period. The reviews will be concluded by December 1, 2014 and any necessary payments to individuals will be completed by December 31, 2014.**
- **Compliance and performance will be documented for future audit, management and performance review by ensuring the accuracy of timesheets by Child Center staff prior to being authorized for submission to HR for payment.**

Follow-Up Response

All employees' timesheets were rechecked by staff from the Child Center and Human Resources to identify any variances between time cards and timesheets. After careful review, it was determined that a total amount of \$359.49 was due to employees that had been underpaid. These individuals were compensated on the 12/10/14 paycheck.

We also recommend the Center calculate minutes to the hundredth as required.

Institution Response

- **To avoid the identified problems and issues in the future, the Center will no longer round minutes to quarter hour increments.**
- **Compliance and future good management and practice will be measured, monitored and assured by a new timesheet that will automatically do the calculation of the minutes properly.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014, once the new timesheet was created.**
- **Compliance and performance will be documented for future audit, management and performance review by ensuring the accuracy of timesheets by Child Center staff prior to being authorized for submission to HR for payment.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

2. Nevada Administrative Code (NAC) 284.524 requires that a half to one hour meal period must be provided during each period of work that exceeds six hours. While reviewing employee timecards, we noted 154 shifts over six hours with no meal period indicated.

We recommend hourly employees that work in excess of a six hour shift take at least a 30 minute lunch break in accordance with the NAC.

Institution Response

- **To avoid the identified problems and issues in the future, employees have been reminded about the importance of recording lunch breaks on their timecards to ensure time has been recorded correctly. The newly created electronic timesheet provides time in/time out fields specifically to track lunch breaks.**
- **Compliance and future good management and practice will be measured, monitored and assured by verifying that lunch breaks are recorded on timesheets when an employee works a shift in excess of six hours. Timesheets also list a reminder that if you are working a consecutive 4-hour work period a 15 minute break with pay must be provided, and if you are working over a consecutive 6-hour work period a 30 minute meal period without pay must be provided.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014, once the new timesheet was created.**
- **Compliance and performance will be documented for future audit, management and performance review by ensuring the accuracy of timesheets by Child Center staff prior to being authorized for submission to HR for payment.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

3. Two of six employees tested averaged over 19.5 hours a week. We were informed that employees on LOA contracts, without benefits, should not work in excess of 19.5 hours a week.

We recommend greater care be taken to ensure employees on LOA contracts without benefits do not exceed the work hour limitations.

Institution Response

- **To avoid the identified problems and issues in the future, employees have been reminded that they are not allowed to work in excess of 19.5 hours per week or 79.5 hours per month.**

- **Compliance and future good management and practice will be measured, monitored and assured by verifying hours submitted for approval and periodic reminders of working hour restrictions.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014, once the new timesheet was created.**
- **Compliance and performance will be documented for future audit, management and performance review by ensuring the accuracy of timesheets by Child Center staff prior to being authorized for submission to HR for payment.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

4. On 32 occasions, employees worked in excess of eight hours in one day but were not paid overtime as required.

We recommend the employees be appropriately compensated for their work hours and that overtime be reported correctly to the GBC HR Office.

Institution Response

- **To avoid the identified problems and issues in the future, all time will be recorded as worked. Employees with a variable work schedule will complete a variable work schedule form, which will be kept in their employee file.**
- **Compliance and future good management and practice will be measured, monitored and assured by verifying hours submitted for approval are correctly recorded and periodic reminders to employees of the importance in submitting accurate timesheets.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014, once the new timesheet was created.**
- **Compliance and performance will be documented for future audit, management and performance review by ensuring the accuracy of timesheets by Child Center staff prior to being authorized for submission to HR for payment.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

PERSONNEL ACTIVITY REPORTS

The Center receives a grant from the State of Nevada Department of Education that supports one of its programs. The Center completes a Personnel Activity Report (PAR) for each individual who is paid from the grant. This reporting method is derived from the federal government's Office of Management and Budget (OMB) Circular A-21 which requires the above, or other acceptable method for reporting employees' effort on sponsored projects. The reports are required to reflect an after-the-fact reporting of employees' activities and must equal 100% of their time. In reviewing the PARs that were completed for the above award, we noted each PAR indicated a 100% allocation of activity to the grant; even for employees that were paid from other sources and only worked part-time on the grant.

We recommend that the distribution of time reported on PARs reflect all employee activities, not just those spent on the grant.

Institution Response

- **To avoid the identified problems and issues in the future, supervisors have been advised of the situation and a closer review will be conducted to ensure the correct allocation of activity is being reported.**
- **Compliance and future good management and practice will be measured, monitored and assured by reviewing PARs prior to submittal for accuracy in reporting requirements.**
- **The appropriate supervisor will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective immediately. Revisions will be made to the PAR in question to reflect the accurate percentages devoted to the grant and other activities.**
- **Compliance and performance will be documented for future audit, management and performance review by reviewing PARs prior to submittal for accuracy in reporting requirements. Periodic reminders to individuals paid from the grant will continue emphasizing the importance of accurately recording percentages spent on grant activities.**

Follow-Up Response

This recommendation was fully implemented as of August 1, 2014.

CASH CONTROLS

The Center collects payments from parents for tuition and registration charges, which consists of a mix of cash, checks, and credit cards. GBC procedures require daily deposit of these funds with the Controller's Office when the amount collected exceeds \$100. We noted nine of 25 deposits tested were not made in a timely manner.

We recommend that deposits be made in accordance with the college's policy, which will assist the Center's cash flow and reduce the inherent risks of holding monies.

Institution Response

- **To avoid the identified problems and issues in the future, deposits are now made on a daily basis regardless of the dollar amount collected.**
- **Compliance and future good management and practice will be measured, monitored and assured by notifications sent from Controller's Office staff to the Center Director and the VPBA when a daily deposit is not received.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014. An additional measure created was to introduce a new procedure which will take effect January 1, 2015, eliminating the use of personal checks as a form of payment. This will further reduce delays in cash flow by eliminating the number of returned checks which are currently contributing to the cash flow issues.**
- **Compliance and performance will be documented for future audit, management and performance review by continuing the practice of recorded daily deposits and the elimination of acceptance of personal checks.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

STATE REGULATIONS – EMPLOYEE RECORDS

We randomly selected 11 employees from the staff roster for review. Employee records were reviewed for compliance with the following state requirements of the Nevada Administrative Code (NAC).

- NAC 432A.200.4 – Employee background investigation and fingerprints
- NAC 432A.306.1 – Caretaker at least 16 years old
- NAC 432A.306.2 – No more than 50% of caretakers under 18 years old
- NAC 432A.308.2 – Completion of first aid program by caretaker
- NAC 432A.310 – Staff personal health – Tuberculosis test
- NAC 432A.320 – Orientation program and basic training
- NAC 432A.323 – Initial course of training in child care
- NAC 432A.326 – Continuing training

Although employee records were up-to-date for the current year, we noted historical documents to support the employees' initial hiring were not maintained in the employee files. In the previous internal audit of the Center, we were informed by the State of Nevada Bureau of Services for Child Care that employee records should be retained for historical and reference purposes for the duration of each staff member's employment at the child care facility.

We recommend the Center retain records required by the NAC, such as tuberculosis tests and training certifications, in employees' files for a minimum of one year after employment is terminated.

Institution Response

- **To avoid the identified problems and issues in the future, the Center has reviewed the requirements for retention of employee records and implemented**

- new procedures that include retaining an employee's file for a period of three years, which exceeds the current recommendation.**
- **Compliance and future good management and practice will be measured, monitored and assured by transferring files for terminated employees to the HR Department for storage and safekeeping. Documentation including expired tests, certifications, and licenses for current employees will be retained for historical and reference purposes.**
 - **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
 - **Implementation of the new measures were effective October 1, 2014.**
 - **Compliance and performance will be documented for future audit, management and performance review by conducting periodic file reviews to ensure employee files are correctly maintained.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

SENSITIVE EQUIPMENT

A review of the department's sensitive equipment was performed to determine whether the items included on the Center's sensitive equipment list were physically present. Of the 30 sampled items, the following exceptions were noted.

1. Eight items included a note on the sensitive equipment list stating the items had either been disposed of or were transferred to another department. No other documentation was available indicating the individuals that authorized the transactions or when they occurred.

We recommend the disposal and transfer of equipment be supported with documentation to identify the persons authorizing the transactions and the date they occurred. We recommend the disposal of equipment be coordinated through the Business Center North (BCN) Purchasing Department, as required. We also recommend the Center confirm the disposition or transfer of these items and update the sensitive equipment list accordingly.

Institution Response

- **To avoid the identified problems and issues in the future, procedures for disposal and transfer of equipment will be periodically reviewed with current staff and new hires.**
- **Compliance and future good management and practice will be measured, monitored and assured by reviewing the sensitive equipment list on a regular basis, annually at a minimum, and updating the list as new equipment is purchased and when equipment is disposed of or transferred to another department.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014, and procedures were reviewed at that time. Center staff confirmed the disposition of the items in question and the sensitive equipment list was updated accordingly.**
- **Compliance and performance will be documented for future audit, management and performance review by coordinating disposals and transfers through the Business Affairs Department. Sensitive equipment will be recorded immediately with details on the method of disposal, the date of disposal, and who was informed. The Business Affairs Department is the main contact with the BCN Purchasing Department and corresponds frequently with BCN to coordinate disposals, transfers, and sales of GBC-owned equipment.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

2. One item could not be located.

We recommend the department determine the disposition of the equipment. 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 process these types of transactions through the BCN Purchasing Department.

Institution Response

- **To avoid the identified problems and issues in the future, procedures for disposal and transfer of equipment will be periodically reviewed with current staff and new hires.**

- **Compliance and future good management and practice will be measured, monitored and assured by reviewing the sensitive equipment list on a regular basis and updating the list when equipment is relocated to a new location or transferred to another department.**
- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014. The item in question was an older printer that was no longer in operating condition and was therefore disposed of. The printer disposition has been updated on the sensitive equipment list to reflect the disposal. BCN Purchasing Department has provided Great Basin College written authorization to dispose of broken printers with additional instructions to note the method and date of disposal.**
- **Compliance and performance will be documented for future audit, management and performance review by performing periodic reviews, annually at a minimum, of the sensitive equipment list and immediately recording the disposition of sensitive equipment with the details on the method of disposal, the date of disposal, and who was informed. Other past methods of disposal included scrap sales and transfers to the Computer Services Department to use for spare parts for similar equipment in current operating condition.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

3. One item on the sensitive equipment list included an inaccurate asset number. We were informed the GBC Information Technology (IT) Department recently replaced the equipment, a computer, with a different model. For this reason, the asset numbers did not match.

We recommend the sensitive equipment list be updated to accurately reflect the equipment.

Institution Response

- **To avoid the identified problems and issues in the future, procedures for disposal and transfer of equipment will be periodically reviewed with current staff and new hires.**
- **Compliance and future good management and practice will be measured, monitored and assured by reviewing the sensitive equipment list on a regular basis and updating the list when equipment is relocated to a new location or transferred to another department.**

- **The Child Center Director will be responsible and may be held accountable in the future if repeat or similar problems arise.**
- **Implementation of the new measures were effective October 1, 2014. Procedures were reviewed with staff on the importance of updating their sensitive equipment list when new equipment is purchased or acquired from another department, and when equipment is transferred or disposed of. The sensitive equipment list was updated and the computer has now been properly recorded.**
- **Compliance and performance will be documented for future audit, management and performance review by performing periodic reviews, annually at a minimum, of the sensitive equipment list and immediately recording the disposition of sensitive equipment with the details on the method of disposal, the date of disposal, and who was informed.**

Follow-Up Response

This recommendation was fully implemented as of October 1, 2014.

STATEMENT OF REVENUES AND EXPENDITURES

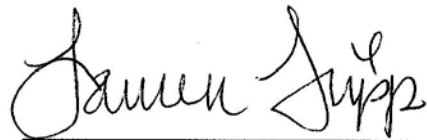
The statement of revenues and expenditures provided below is based on the activity of two auxiliary and one grant account assigned to the Mark H. Dawson Child and Family Center. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	Auxiliary Accounts	Grant Accounts	Total
Balance, July 1, 2013	<u>\$ 179,707</u>	<u>\$ -</u>	<u>\$ 179,707</u>
Transfers-In	<u>-</u>	<u>-</u>	<u>-</u>
Revenues			
Tuition & Fees, Unrestricted	196,004	-	196,004
Private Gifts, Unrestricted	500	-	500
Sales & Service	32,326	-	32,326
State Grants/Contracts, Restricted	-	75,753	75,753
Other Grant/Contracts, Restricted	<u>13,231</u>	<u>-</u>	<u>13,231</u>
Total Revenue	<u>242,061</u>	<u>75,753</u>	<u>317,814</u>
Transfers-Out	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Salaries	235,800	101,313	337,113
Travel	1,813	1,950	3,763
General Operations	31,940	9,938	41,878
Other Fixed Assets	<u>20,097</u>	<u>-</u>	<u>20,097</u>
Total Expenditures	<u>289,650</u>	<u>113,201</u>	<u>402,851</u>
Balance, June 30, 2014	<u>\$ 132,118</u>	<u>\$ (37,448)</u> 1	<u>\$ 94,670</u>

1. Deficit balance is due to timing difference between the costs incurred and reimbursement from the grantor.

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

Las Vegas, Nevada
August 6, 2014



~~Lauren Tripp~~
Senior Internal Auditor



J. Vito Hite
Internal Audit Manager



Scott Anderson
Director of Internal Audit



MEMORANDUM

Vice President for Business Affairs

TO: Scott Anderson, Interim Director of Internal Audit

FROM: Sonja Sibert, Vice President for Business Affairs

SUBJECT: Audit Response for Great Basin College Mark H. Dawson Child and Family Center Audit, July 2, 2013 to September 30, 2013

DATE: April 23, 2015

Nbr	Finding	Agree	Implemented	Est Date of Completion
1	Letter of Appointments Determine reasons for variances in reported employee hours and make any payments to individuals that were underpaid.	Yes	Yes	
2	Ensure that hourly employees that work in excess of a six hour shift take at least a 30 minute lunch break.	Yes	Yes	
3	Take greater care to ensure employees on LOA contracts without benefits do not exceed the work hour limitations.	Yes	Yes	
4	Employees should be appropriately compensated for their work hours and OT reported correctly to HR.	Yes	Yes	
5	Personnel Activity Reports Distribution of time reported on PARS should reflect all employee activities, not just those spent on the grant.	Yes	Yes	
6	Cash Controls Deposits must be made in accordance with the college's policy to assist with cash flow and reduce the inherent risks of holding monies. State Regulations – Employee Records	Yes	Yes	

7	Retain records such as TB tests and training certifications in employee files for a minimum of one year after employment is terminated.	Yes	Yes	
	Sensitive Equipment			
8	Disposal and transfer of equipment should be documented and coordinated through BCN. Update list accordingly.	Yes	Yes	
9	Determine the disposition of a piece of equipment that was unable to be located and update equipment list.	Yes	Yes	
10	Update the sensitive equipment list to accurately reflect a replacement computer so asset numbers can be matched.	Yes	Yes	