

DESERT RESEARCH INSTITUTE
LIBRARIES
Internal Audit Report
July 1, 2012 through December 31, 2013

GENERAL OVERVIEW

The Desert Research Institute (DRI) Libraries includes the Patrick Squires Library on DRI's Reno campus and the Sulo and Aileen Maki Research Library on the Las Vegas campus. The libraries support the DRI scientific community by offering electronic journals and hard-copy materials to faculty, staff, and graduate students. The DRI Libraries has four employees, including two student employees, and an annual operating budget of approximately \$495,000.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the DRI Libraries for the period of July 1, 2012 through December 31, 2013.

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 department expenditures for reasonableness, supporting documentation, and proper signature approvals.
2. Examining equipment inventories for proper accountability.
3. Reviewing employee leave records and timesheets for proper completion and approval.
4. Reviewing contracts for proper completion and adherence to established policies.

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

CONTRACTS

On occasion, contracts are entered into by or on behalf of the DRI Libraries in carrying out its business operations. We examined one contract that was active during the audit period. The agreement was reviewed for proper completion and adherence to the Nevada System of Higher Education (NSHE) contract policy. We noted the contract was not signed by a DRI representative until after the start date of the contract period. We were subsequently informed by DRI personnel that the vendor did not provide the contract until after the commencement of the contract term. We also noted the agreement was not signed by the contracting party.

We recommend the department contact the vendor to request that future agreements be provided in advance of the contract term. We also recommend that contracts be signed by all parties prior to the effective date of the agreements.

Institution Response

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

Subscription service contracts are standard agreements provided by the vendor and the institution has no control over the timing of that delivery. However, every effort to get agreements signed prior to the performance period will be made.

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

As mentioned above, individual institutions are unable to control the timing of the document delivery from large publishing firms for these type of contracts but do control when payment is made. Therefore any risk relating to services that may pre date the completion of the binding contract accrues exclusively to the vendor as no payment is due or made to the vendor until the contract is signed, an invoice is received,

and delivery has commenced. In subscription agreements it is nearly always after the beginning of the performance period.

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

The assistant vice president/controller is always responsible for any payment problems or risk related to financial practices.

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

Proper payment practices as described above have been and will continue to be in place.

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

The key performance metric is to ensure that all requirements for payment are met before any public funds are disbursed. That is and will continue to be measured and monitored. It was properly done in this case and will continue to be so through this oversight.

Follow-up response:

Every effort is made to obtain a signed subscription service contract prior to the commencement of the service. It should be noted that it is customary for the large publishing firms to commence service prior to the signing of the contract and for this type of contract; it is the large publishing firms that controls when the document is delivered and signed. Also, any risk relating to services that may pre date the completion of the binding contract accrues exclusively to the vendor, as no payment is due or made to the vendor until the contract is signed, an invoice is received, and delivery has commenced.

EXPENDITURES

We reviewed 27 Libraries expenditures for proper supporting documentation and approval, reasonableness, and compliance with established purchasing procedures. The following exceptions were noted.

1. Two transactions were not approved by an authorized account signer.

We recommend that expenditures be approved by authorized personnel.

Institution Response

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

The individuals who approved the transactions were the appropriate designees in the absence of the primary approving official but had not been formally delegated. Letters of delegation have been updated.

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

Updated letters of delegations will ensure these individuals are authorized while a paper based process is in place. In the future, pre-approved workflow authorizations will ensure only authorized approvers even have access to the process.

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

The assistant vice president/controller is always responsible for any payment problems or risk related to financial practices.

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

Updated delegations were immediately done upon receiving the audit and are in place.

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

Automated workflow as planned in the Integrate2 initiative will make this issue obsolete but in the interim emphasis will be made to ensure all transaction approvers are properly delegated approval authorization.

Follow-up response:

The letters delegating signature authority, in the absence of the primary approving official, have been updated and are on file.

2. On one occasion, an employee was reimbursed for mileage expenses incurred over a two month period of time. We noted the reimbursement included mileage for two days in which the employee did not work a documented shift.

We recommend employees be reimbursed for work related expenses only.

Institution Response

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

The employee had been scheduled to work those days and forgot they had been absent when completing their mileage reimbursement request. The library director will compare time sheets to travel claims in the future.

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

Oversight and comparison of travel claims and timesheets for hourly employees should ensure compliance.

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

The library director is charged with proper approval of travel claims for library employees.

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

The overpayment of \$12.40 has been collected. The library director began requiring timesheets to accompany the requests for reimbursement in the future effective in May.

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

Payroll and travel disbursements are well documented and comparing those records are the best assurance. This is likely an excellent candidate for the automated auditing capabilities that will be delivered with the Integrate2 initiative.

Follow-up response:

It is now part of the library director's procedures to compare time sheets to travel claims to assure that employees are reimbursed for work related expenses only.

TIMESHEETS

The timesheets of two student employees and one technologist were reviewed for proper completion and approval. We noted that 16 of the 18 timesheets reviewed were approved prior to the last shift worked by the employees.

We recommend supervisory review and approval of timesheets be performed after the last shift is completed.

Institution Response

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

In order to be able to invoice sponsors in a timely manner, DRI accounting requires the timesheets with original signatures to be posted at month end. With geographically separated operations it isn't always possible to review and approve timesheets in time to make the posting deadlines with the current paper based system and some precertification is often required at month end. The electronic approval systems that will be part of the Integrate2 solution will remove those logistic limitations. Until that is implemented, we believe that timely accounting is more important than the timing of the timesheet review and so we are unable to completely comply with the recommendation until our paper based process is replaced

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

As noted above, logistical limitations often require approval of time sheets before the end of the pay period but supervisors are alert to the need for adjustments when there are unforeseen variations in the planned schedule.

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

The assistant vice president/controller is always responsible for any payment problems or risk related to financial practices.

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

While the period of pre certified work is always kept to a minimum, the only logistically possible solution is an electronic certification system as envisioned with the Integrate2 solution scheduled to be implemented over the next 24-36 months.

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

The first line of defense for accurate time and attendance is the employee's supervisor. This review occurs at least monthly. These records are thoroughly documented for subsequent review.

Follow-up response:

DRI depends on the time sheet accounting data to be posted to the financial records at month end in order to invoice sponsors timely. Because of these accounting requirements and logistical limitations, approval of the time sheets can be required several days before the end of the pay period. The supervisors are aware of the need for adjustments when there are unforeseen variations in the planned schedule and as such, to ensure the accuracy of the time sheets, the library director now performs a review of the documents by the third work day of the following month. Also as noted previously, the electronic approval capability slated in the INTEGRATE2 initiative will resolve the logistic limitations.

STATEMENT OF REVENUES AND EXPENDITURES


The statement of revenues and expenditures provided below is based on the activity of one self-supporting account and one gift account that have been assigned to the DRI Libraries. The information was obtained from the financial accounting system and is provided for informational purposes only.

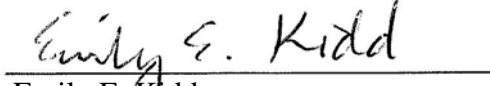
	Self-Supporting	Gift	Total
Balance July 1, 2012	\$ -	\$ 1,394	\$ 1,394
Revenues			
Indirect Cost Recovery	490,602	-	490,602
Private Gifts, Grants & Contracts Restricted	-	125	125
Total Revenues	490,602	125	490,727
Expenditures			
Salaries	207,433	-	207,433
Travel	11,553	-	11,553
Operations	266,247	-	266,247
Total Expenditures	485,233	-	485,233
Balance June 30, 2013	<u>\$ 5,369</u>	<u>\$ 1,519</u>	<u>\$ 6,888</u>
Balance July 1, 2013	<u>\$ -</u> ¹	<u>\$ 1,519</u>	<u>\$ 1,519</u>
Revenues			-
Indirect Cost Recovery	494,556	-	494,556
Private Gifts, Grants & Contracts Restricted	-	-	-
Total Revenues	494,556	-	494,556
Expenditures			
Salaries	92,840	-	92,840
Travel	3,162	-	3,162
Operations	309,610	-	309,610
Total Expenditures	405,612	-	405,612
Balance December 31, 2013	<u>\$ 88,944</u>	<u>\$ 1,519</u>	<u>\$ 90,463</u>

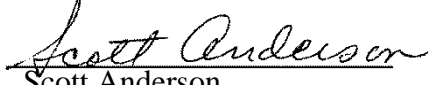
1 Balance from June 30, 2013 was not carried forward due to DRI's practice of sweeping excess funds from these accounts at the end of each fiscal year. The funds are then redistributed to the institute's various self-supporting accounts in the following fiscal year.

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

Reno, Nevada
May 23, 2014


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Summary of the Libraries Audit Follow-up Responses

Issue number	Recommendation	Response	Completion
1	<p>We recommend the department contact the vendor to request that future agreements be provided in advance of the contract term. We also recommend that contracts be signed by all parties prior to the effective date of the agreements.</p>	<p>Every effort is made to obtain a signed subscription service contract prior to the commencement of the service. It should be noted that it is customary for the large publishing firms to commence service prior to the signing of the contract and for this type of contract; it is the large publishing firms that controls when the document is delivered and signed. Also, any risk relating to services that pre date the completion of the binding contract accrues exclusively to the vendor, as no payment is due or made to the vendor until the contract is signed, an invoice is received, and delivery has commenced.</p>	N/A
2	<p>Two transactions were not approved by an authorized signer. We recommend that expenditures be approved by authorized personnel.</p>	<p>The letters delegating signature authority, in the absence of the primary approving official, have been updated and are on file.</p>	June 2014
3	<p>On one occasion an employee was reimbursed for mileage expenses incurred over a two month period of time and reimbursement included two days the employee did not work.</p>	<p>This was an employee oversight of a schedule change. The overpayment of \$12.66 was reimbursed by the employee. It is now part of the library director's procedures to compare time sheets to travel claims to assure that employees are reimbursed for work related expenses only.</p>	May 2014



Summary of the Libraries Audit Follow-up Responses

Issue number	Recommendation	Response	Completion
4	We noted that 16 of the 18 timesheets reviewed were approved prior to the last shift worked by the employees. We recommend supervisory review and approval of timesheets be performed after the last shift is complete.	DRI depends on the time sheet accounting data to be posted to the financial records at month end in order to invoice sponsors timely. Because of these accounting requirements and logistical limitations, approval of the time sheets can be required several days before the end of the pay period. The supervisors are aware of the need for adjustments when there are unforeseen variations in the planned schedule and as such, to ensure the accuracy of the time sheets, the library director now performs a review of the documents by the third work day of the following month. Also as noted previously, the electronic approval capability slated in the INTEGRATE2 initiative will resolve the logistic limitations.	Sept 2014