

WESTERN NEVADA COLLEGE  
BOOKSTORE CONTRACT  
Internal Audit Report  
July 1, 2013 through December 31, 2014

GENERAL OVERVIEW

Western Nevada College (WNC) has contracted with Follett Higher Education Group (Contractor) to operate the WNC Bookstore which has locations at both the Carson City and Fallon campuses. The Contractor is a national company that manages bookstores at a number of higher education institutions across the country. The original agreement with the Contractor began on July 1, 2003. There have been two amendments since this time, the most recent of which is for a five year period from July 1, 2011 through June 20, 2016. In return for the right to provide services, the Contractor pays the college commissions based on a percentage of gross revenue.

The WNC Bookstore falls administratively under the college's Finance and Administration division.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the bookstore contract for the period of July 1, 2013 through December 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 contract to determine whether it was completed and signed in accordance with Nevada System of Higher Education (NSHE) contract policies.

2. Reviewing commissions paid to the college for accuracy, supporting sales records, and timeliness.
3. Reviewing procedures for issuing textbook scholarships.
4. Testing discounts extended to college departments and full-time staff for compliance with the bookstore contract.
5. Verifying whether required licenses and permits were current and on file.
6. Reviewing the textbook buyback program for reasonableness and compliance with the bookstore contract.

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

### COMMISSIONS

As previously mentioned, the college is paid a commission based on a percentage of the bookstore's gross revenue. We noted supporting reports from the Contractor's point of sale (POS) system that identify the sales data used to calculate the commissions are not provided to WNC. As a result, the college does not currently have the ability to verify the accuracy of the commission payments received.

We recommend the Contractor be requested to provide documentation from its POS system to support commission payments. We also recommend the college work with the Contractor to include a clause in the contract that addresses this issue.

## **Institution Response**

### **WNC agrees with the audit finding and recommendation.**

#### **How compliance was achieved.**

Effective July 1, 2015, supporting documentation will be required of Follett anytime a payment is received. The vendor has been notified of this requirement and will provide the proper documentation. We will add this clause when the contract is renewed in 2016.

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

The clause will be added in future contract agreements and support will be required with every payment that is received. We have contacted the vendor to ensure that this is done with each payment.

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

The proper personnel have been notified to ensure that backup is provided from the contractor.

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

Business Office personnel will be held responsible for obtaining any missing documentation. We will document our requests for information. If documentation is not provided in a timely manner, we will take action to meet with the contractor.

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

The new procedures have been implemented, effective July 1, 2015.

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

All system receipts will have proper backup attached for future audit, management and performance review.

## **SCHOLARSHIP SUPPORT**

Under the terms of the bookstore contract, the Contractor provides approximately \$6,000 in scholarships a year to WNC students to buy textbooks. We noted the scholarships are not accounted for in the student information system for the students that receive them. According to the Nevada System of Higher Education (NSHE) Academic and Student Affairs Office, the total amount of scholarships awarded to students is reviewed when financial aid is considered. In

addition, for federal student aid recipients the total of individual scholarships received is needed to ensure students do not receive financial aid that exceeds the Cost of Attendance (COA).

We recommend the WNC Financial Aid Office implement a procedure to include the amount of textbook scholarships that are issued to students to their corresponding accounts within the student information system.

### **Institution Response**

#### **WNC agrees with the audit finding and recommendation.**

##### **How compliance was achieved.**

The WNC Financial Assistance Office (FAO) has developed a Follett Bookstore Scholarship item type that is designed to count as a financial aid resource in the myWNC student information system. The item type will not initiate a disbursement of funds directly to students and will only be used to count as a resource against the student's cost of attendance. Students will still be required to use the voucher provided by the Financial Assistance Office to receive their books at the bookstore.

The FAO will be required to award students through the myWNC student information system prior to issuing a Follett Bookstore Scholarship voucher. Staff will be required to resolve any over awards prior to the issuance of a voucher.

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

The new process will automatically count Follett Scholarship awards as part of the student's financial aid package and eliminate the potential for over awards for unaccounted aid.

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

The new item type has been created and staff has been trained on the new procedure. Follett Bookstore Scholarship awards will be reviewed each semester by the Director of Financial Assistance to ensure the proper procedure has been followed.

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

Financial Assistance staff members awarding the Follett Bookstore Scholarship will be responsible for posting accurate awards to the myWNC student information system. The Director of Financial Assistance will be responsible to ensure awards are properly updated by staff.

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

The new procedures have been implemented, effective July 1, 2015.

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

The myWNC student information system will now track and provide backup to the current spreadsheet that is used to document Follett Bookstore Scholarship awards.

**TEXTBOOK BUYBACK**

The bookstore contract states the Contractor will pay not less than 50% of the student's purchase price if the book is to be used the following semester. Of 12 book buyback transactions reviewed, involving books that were used the following semester, we noted the price paid for nine was significantly less than this amount. No explanation was available for the payout amounts that were issued. We were subsequently informed by the Contractor's bookstore manager that the process for determining buyback payouts is more complex than is stated in the contract.

We recommend that WNC work with the Contractor to clarify the language used in the textbook buybacks section of the contract.

**Institution Response**

**WNC agrees with the audit finding and recommendation.**

**How compliance was achieved.**

As the contract also involves TMCC and GBC, WNC consulted with both colleges and plans to provide additional language that more accurately reflects the buy-back policy when the contract is renewed in June 2016.

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

All future bookstore contracts will contain the updated buy-back language, beginning with the contract set to begin on June 21, 2016.

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

Compliance and future good management will be measured, monitored and assured by including the new language in all future contracts with the bookstore.

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

Once the language has been implemented, future problems will be mitigated. However, it is the responsibility of the Vice President of Finance and the Vice President of Administrative and Legal Services to fully review the contract each time it is to be renewed.

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

The measures will be implemented with the new contract, set to commence on June 21, 2016.

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

Compliance and performance will be documented with a thorough review of the contract upon each renewal period.

**RIGHT TO AUDIT**

We noted the bookstore contract did not include a right-to-audit clause. Such a clause is included in the standard form contract for independent contractor services that is provided in the NSHE contract policy.

As a best business practice, we recommend the bookstore contract be updated with a right-to-audit clause to provide the college and other NSHE entities the ability to review financial documents.

**Institution Response**

**WNC agrees with the audit finding and recommendation.**

**How compliance was achieved.**

As the contract also involves TMCC and GBC, WNC consulted with both colleges and plans to provide the audit clause when the contract is renewed in June 2016.

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

All future bookstore contracts will contain the right-to-audit clause, beginning with the contract set to begin on June 21, 2016.

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

Compliance and future good management will be measured, monitored and assured by including the clause in all future contracts with the bookstore.

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

Once the clause has been implemented, future problems will be mitigated. However, it is the responsibility of the Vice President of Finance and the Vice President of Administrative and Legal Services to fully review the contract each time it is to be renewed.

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

The measures will be implemented with the new contract, set to commence on June 21, 2016.

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

Compliance and performance will be documented with a thorough review of the contract upon each renewal period.

## STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of one self-supporting account that has been assigned to the WNC Bookstore operation. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

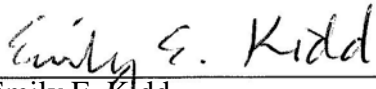
**Self-Supporting**


Balance July 1, 2013	\$	<u>162,232</u>
Revenues		
Other- Commissions	\$	<u>77,099</u>
Total Revenues	\$	77,099
Transfers Out	\$	<u>231,051</u>
Balance June 30, 2014	\$	<u><u>8,279</u></u>
Balance July 1, 2014	\$	<u>8,279</u>
Revenues		
Other- Commissions	\$	<u>49,865</u>
Total Revenues	\$	<u>49,865</u>
Transfers Out		<u>29,486</u>
Balance March 30, 2015	\$	<u><u>28,658</u></u>




The Internal Audit Department appreciates the cooperation and assistance received from  
WNC and Follett personnel during this review.

Reno, Nevada.  
June 8, 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:** Audit Response for Western Nevada College Bookstore Contract  
July 1, 2013 – December 31, 2014

**DATE:** May 5, 2015

---

Attached is the initial response to WNC's Bookstore Contract audit for the period of July 1, 2013 – December 31, 2014. The recommendations and status of corrective actions are provided below.

#	Recommendation	Agree	Completed
1.	We recommend the Contractor be requested to provide documentation from its POS system to support commission payments. We also recommend the college work with the Contractor to include a clause in the contract that addresses this issue.	Yes	Effective July 1, 2015, supporting documentation is obtained for each commission payment.
2.	We recommend the WNC Financial Aid Office implement a procedure to include the amount of textbook scholarships that are issued to students to their corresponding accounts within the student information system.	Yes	Effective July 1, 2015, the Financial Aid office has developed a procedure for recognizing the award on the student account.
3.	We recommend that WNC work with the Contractor to clarify the language used in the textbook buybacks section of the contract.	Yes	This will be incorporated into the new contract that is set to commence on June 21, 2016.

#	Recommendation	Agree	Completed
4.	We recommend the bookstore contract be updated with a right-to-audit clause to provide the college and other NSHE entities the ability to review financial documents.	Yes	This will be incorporated into the new contract that is set to commence on June 21, 2016.