

UNIVERSITY OF NEVADA, RENO
CHILD & FAMILY RESEARCH CENTER
Internal Audit Report
July 1, 2013 through May 31, 2015

GENERAL OVERVIEW

The University of Nevada, Reno (UNR) operates a child care facility called the Child & Family Research Center (CFRC). The CFRC consists of two on-campus sites which offer child care services and educational programs for infants through first grade. These programs are available to UNR students, employees, and community members. There are also four off-campus sites which provide free child care for low income families through the federally funded Early Head Start (EHS) program. In total, the CFRC serves over 200 children at the six locations. CFRC facilities also serve as laboratory observation and practicum sites for university students studying Early Childhood Education and related fields. The CFRC is accredited by the National Academy of Early Childhood Programs, a division of the National Association for the Education of Young Children (NAEYC).

Child care facilities operating and licensed in the State of Nevada are subject to state regulations that are published in the Nevada Revised Statutes (NRS) and the Nevada Administrative Code (NAC). These regulations are enforced by the State through periodic inspections of facilities.

The CFRC is managed by a director who reports to the Chair of the Department of Education. During the audit period, CFRC employed a total of 12 professional, 47 classified, and 67 student employees and received additional assistance from approximately 52 volunteers. CFRC had an operating budget of about \$4.89 million during fiscal year 2014-15.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the CFRC for the period of July 1, 2013 through May 31, 2015.

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 tuition and fees that are assessed by CFRC.
3. Examining the procedures for collecting accounts receivable.
4. Examining contracts and agreements entered into by the CFRC for proper completion and compliance with Nevada System of Higher Education (NSHE) policy.
5. Reviewing equipment inventories for proper accountability.
6. Testing expenditures for reasonableness, supporting documentation, and proper signature approvals.
7. Testing controls related to software application systems.

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

CASH CONTROLS

The CFRC collects payments from parents for tuition and registration fees. We examined the procedures for collecting, storing, and depositing receipts to determine whether adequate

controls are in place. We also tested a sample of ten deposits to determine whether funds were deposited in accordance with established procedures. The following exceptions were noted.

1. There is a lack of segregation of duties in that one employee is responsible for establishing children's accounts in the CFRC software management system, collecting and depositing payments received, and posting the payments to accounts in the software management system. We also noted the employee is authorized to make fee adjustments and process refunds in the software management system. No other employees are involved in these processes.

For improved control, we recommend that a portion of the above duties be assigned to another employee. We recommend two employees be involved in the preparation of the deposit and that both employees sign the deposit slip. We also recommend a periodic reconciliation be performed by an independent employee between the receipts that are collected and deposited, and those that are posted to the software management and financial accounting systems.

Institution Response

How compliance was achieved:

Preparation of the deposit will be performed by two employees. One employee will post tuition to the software management system, print a posting report and prepare the deposit slip. A second employee will collect tuition, review the posting report and deposit slip. Both employees will sign the deposit slip.

The office manager will review and reconcile the deposit slips, software management system posting report, and financial accounting systems reports for accuracy each month.

Fee adjustments to tuition will require written approval from the director or assistant director prior to posting adjustments to accounts.

The director and office manager will meet quarterly to review software management system and financial accounting systems reports.

**What will be done to avoid the identified problems and issues in the future?
Four employees will be trained in collecting, posting, preparation of deposit slips and deposit duties to provide segregation of duties in the deposit process. One employee will post the tuition, prepare the deposit slip and posting report. Another employee will collect tuition, review the posting report and deposit slip. Both employees will sign the deposit slip.**

No fee adjustments will be posted without written approval from the director or assistant director.

The office manager will reconcile the deposit records, software management system reports and financial accounting systems reports monthly. The office manager will date and sign the monthly reconciliations. The director and office manager will meet quarterly to review the software management system and financial accounting systems reports and correct any problems in procedure.

**How compliance and future good management and practice will be measured, monitored and assured:
The office manager will monitor, reconcile and document compliance with each deposit.**

Quarterly meetings of director and office manager will measure and ensure good management/practice. Only management have authority to adjust tuition.

**Who will be responsible and may be held accountable in the future if repeat or similar problems arise:
The director and office manager are responsible for best practices and may be held accountable in the future if repeat or similar problems arise.**

**When the measures will be taken and on what schedule compliance and good practice will be secured:
Implementation of the segregation of deposit duties will be secured by February 1, 2016. Schedule of compliance will be documented by signature on each deposit. A monthly reconciliation will be performed by the office manager and confirmed at quarterly director/office manager meetings.**

As of January 4, 2016 written documentation of director/assistant director approval for fee adjustments are on file for all exceptions.

**How compliance and performance will be documented for future audit, management and performance review:
Compliance and performance will be on file in the back-up documentation of each deposit, by signature of employees performing the duties.**

Monthly reconciliation of deposit records and reports generated by the software management and financial accounting systems reports will document performance and compliance.

All fee adjustments will have corresponding signed approval by the director or assistant director on file.

2. Four of ten deposits tested were not made in a timely manner at the Cashier's Office.

This was caused by payments that were received by CFRC but were not processed for several days. University policy requires deposits in excess of \$500 to be deposited within 24 hours of receipt and lesser amounts within 72 hours.

We recommend greater care be taken to ensure payments are processed upon receipt so deposits can be prepared in a timely manner.

Institution Response

How compliance was achieved:

Four employees will be trained in the process of collecting, posting and depositing of tuition, ensuring adequate staffing for a minimum of two persons to process deposits as received. Collecting, posting and deposit will be designated as a first priority for the employees assigned these duties.

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

Maintaining four employees trained in the collection, posting and deposit process and its divided duties will provide daily coverage and ensure that tuition and deposits are prepared and posted correctly and in a timely manner.

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

Collecting, posting and deposit processes will be designated as a first priority for the employees assigned these duties, adequate staffing will enable the duties to be performed as tuition is received. The office manager will monitor deposit processes daily and ensure prompt implementation. The assistant director will serve as backup in the absence of the office manager.

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

The office manager and assistant director may be held accountable in the future if repeat or similar problems arise.

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

Measures for compliance of good practice will be secured by February 1, 2016, and monitored with each deposit by the office manager.

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

Each deposit and its back up documentation will confirm compliance and performance for future audit, management and performance review.

3. We were informed deposits are delivered to the Cashier's Office by a student employee, regardless of amount. University policy requires receipts of \$1000 or more to be transported by two employees. Each of the ten deposits reviewed exceeded the \$1,000 threshold.

We recommend deposits be transported in accordance with university policy.

Institution Response

How compliance was achieved:

Deposits over \$1,000.00 will be made by two employees. Adequate staffing will ensure that deposits are transported in accordance with University Policy.

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

Two employees will be available for making deposits at all times. Staffing will be scheduled to ensure that deposits are transported in accordance with University Policy.

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

Chain of Custody logs will be maintained for all deposits, and will document compliance. The office manager and assistant director will monitor logs for compliance.

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

The office manager will be accountable should repeat or similar problems arise.

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

Measures for good practice and documentation of same will be taken by February 1, 2016. The office manager will review Chain of Custody logs for each deposit.

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

The deposit Chain of Custody log documenting the date and signature of the staff performing the duties, will be available for future audit, management and performance review.

4. The supporting documentation maintained for four deposits was inadequate. This included one deposit in which supporting documentation was not maintained, one deposit in which the deposit slip was missing, and two deposits in which the deposit amount was greater than the amount indicated by the supporting documentation. An explanation of the variances was not provided. University policy requires documentation supporting the amount and type of receipts collected to be maintained.

We recommend adequate supporting documentation for deposits be maintained, as required.

Institution Response

How compliance was achieved:

A written list of essential backup documents and training in best practice, including electronic storage of documentation, is now part of the job description and duties of employees performing these tasks. Adequate staffing will allow employees to perform the duties appropriately.

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

Adequate staffing and training, including a written list of essential backup documents and best practice, conducted with each employee assigned to tuition collection, posting and deposit duties, will ensure compliance.

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

The office manager will monitor each deposit and its back up documentation at the time of collection, posting and deposit.

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

Employees not able to perform these duties satisfactorily may be replaced. The office manager will monitor employee performance and be accountable for discrepancies.

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

Measures for good practice and documentation of same will be taken by February 1, 2016. The office manager will confirm good practice at the time of each deposit.

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

The backup documentation for each deposit made will be available for future audit, management and performance review.

STATE REGULATIONS – FACILITIES

We inspected each of the 20 classrooms that are located at the six CRFC to determine whether the facilities were in compliance with state regulations. The following exceptions were noted.

1. NAC 432A.280.3 states, “The licensee of a facility shall hold: a) A fire drill at least once every month; and b) A drill for natural disasters at least once every 3 months.” We reviewed the fire and natural disaster logs that are maintained by each of the six CFRC sites for the audit period. During this review, four occasions were noted in which fire and/or natural disaster drills were not performed at one of the sites.
2. NAC 432A.280.5 states, “The director of the facility shall maintain a daily sign-in sheet that includes: a) The first and last names of staff and children; and b) The times of arrival and departure for staff and children. We noted six sign-in sheets during the audit period were missing. We also noted 24 occasions in which staff did not sign the sign-in sheet when arriving or departing and 17 occasions in which the time of arrival or departure was not recorded.

3. The NAC 432A.376.5 states, “A prescribed medication must, upon discontinuance of use, be promptly destroyed or returned to the child’s parent.” We noted medication for a child who had not attended the CFRC for a significant period of time was still maintained by CFRC.

For items one through three, we recommend compliance with state regulations for conducting fire and natural disaster drills, completing and maintaining staff and children sign-in sheets, and for handling medications. We recommend CFRC staff be reminded of these requirements.

Institution Response

How compliance was achieved:

CFRC employees at all child care sites have been reminded in writing to conduct fire and natural disaster drills (monthly for fire and quarterly for disaster), complete and maintain accurate staff and child sign in sheets on a daily basis, and to review medications monthly. Monthly Health & Safety checks are performed by an independent employee at each child care site, and provided to supervisors which will help to ensure compliance.

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

Monthly Health & Safety checks performed at each child care site will identify problems with fire and natural disaster drills, staff and child sign in sheet accuracy, and medication management compliance. Supervisors will take appropriate steps to ensure best practice.

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

Monthly Health & Safety checks will monitor and provide measurement of good practice in the areas of fire and natural disaster drills, accurate staff and child sign in sheets, and management of medications on site. Supervisors will assure good management and practice using the Monthly Health & Safety check reports as a guide to identify and correct problems in compliance.

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

Site employees and supervisors may be held accountable in the future if repeat or similar problems arise. The director is responsible to assure compliance of these procedures.

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

Measures will be taken immediately to ensure that fire and natural disaster drills are conducted as scheduled (monthly for fire and quarterly for disaster). The staff and child sign in sheets are reviewed and maintained on a daily basis and medications on site are inventoried monthly. Compliance and good practice will be secured through monthly Health & Safety checks performed at each child care site and provided to supervisors who will take action as needed.

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

Monthly Health & Safety checks performed at each child care site will serve as documentation for future compliance and performance reviews.

STATE REGULATIONS – EMPLOYEE & VOLUNTEER RECORDS

We selected a random sample of 19 CFRC employees and three volunteers that worked in the CFRC during the audit period to determine whether required records were maintained in accordance with state regulations. The following exceptions were noted.

1. NAC 432A.200 requires fingerprints to be taken and applications for investigations to be made by every employee and every volunteer who is at least 18 years of age and who regularly works for 15 hours or more per week in the facility within three working days after the date of hiring or his or her presence in the facility, and every six years thereafter. Documentation of completed and current investigations must be kept on file at the facility. We noted documentation of a completed background investigation could not be provided for one of three volunteers reviewed. A copy of a completed background investigation for the volunteer was subsequently provided by the department; however, it expired in 2013.
2. NAC 432A.310.1 states, “Every member of the staff of a facility, including a volunteer, shall present to the director of the facility, to be placed in the employee’s file, written evidence that the employee is free from communicable tuberculosis”. NAC 432A.310.3

requires every member of the staff of a facility to submit a tuberculosis test at least once every 24 months. We noted one employee's tuberculosis test was expired. We noted one other occasion in which an employee's tuberculosis test result was not maintained in the employee's file.

3. The NAC 432A.320.1 states, "Within the first 2 weeks after commencing employment, newly employed members of the staff of a facility must be given a written and oral orientation program and be trained in policies, procedures and programs of the facility by the director or a designee trained by the director." This requirement also applies to volunteers who work at least 15 hours per week and participate in specialized child care training, as provided in NAC 432A.320.3. We noted one employee did not complete orientation and that three other employees did not complete orientation in a timely manner. We also noted supporting documentation was not available for two of three volunteers tested to indicate orientation was completed.
4. The 432A.323.1 requires each person and director who is employed in a child care facility to complete initial training courses within 90 days after commencing his or her employment, as follows: a) Certification in the administration of cardiopulmonary resuscitation (CPR); b) Three or more hours of training in child development or guidance and discipline specific to the age group served by the facility; c) Two or more hours of training in the administration of first aid; d) Two or more hours of training in the recognition of signs and symptoms of illness which must include training in the prevention of exposure to bloodborne pathogens; e) Two or more hours of training in the recognition and reporting of child abuse and neglect and; f) At least two hours of training concerning Sudden Infant Death Syndrome if the person works with infants under 12

months of age. In addition, 432A.323.8 requires evidence that employees have completed the required training to be included in their personnel files kept at the facility.

We noted seven employees did not complete the initial training courses in a timely manner and one employee did not complete one of the required training courses. We also noted documentation was not maintained for two of the volunteers reviewed to indicate the initial training requirements were completed.

5. NAC 432A.326.1 states, "During each 12-month period immediately succeeding the completion of the initial training required pursuant to 432A.323, each director of a child care facility and each caregiver who is employed at the facility shall complete at least 15 hours of training in professional development." We noted three employees and one volunteer reviewed did not complete 15 hours of annual professional development training.

For items one through five, we recommend compliance with state regulations regarding background investigations, tuberculosis testing, employee orientation and initial training, and annual professional development training. We recommend CFRC staff and volunteers be reminded of these requirements.

Institution Response

How compliance was achieved:

CFRC staff and volunteers have been reminded in writing of the requirements concerning state regulations regarding background investigations, tuberculosis testing, initial training, and annual professional development training.

All new employees and volunteers are now subject to completing background investigation, tuberculosis testing and employee orientation prior to and as a condition to completing new hire/volunteer paperwork. They receive a list of requirements of state regulations regarding background investigations, tuberculosis testing, initial training, and annual professional development training.

Supervisors provide their employees and volunteers regular reports and reminders of upcoming requirements and renewals.

What will be done to avoid the identified problems and issues in the future?
Supervisors will regularly review reports documenting the requirements and renewal dates for their assigned employees and volunteers, and provide them with a list of the requirements, frequencies and renewal dates.

How compliance and future good management and practice will be measured, monitored and assured:
The office manager will produce progress reports of compliance for the director to review weekly and the director will work with supervisors as needed.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:
CFRC employees, volunteers, supervisors and the director may be held accountable in the future if repeat or similar problems arise.

When the measures will be taken and on what schedule compliance and good practice will be secured:
Monthly reporting and management meetings are in place as of January 4, 2016 to review, promote and secure good practice and compliance.

How compliance and performance will be documented for future audit, management and performance review:
The office manager will retain monthly progress reports of compliance for future audit, management and performance review.

6. During this review, we were informed that volunteer files are not maintained by the CFRC. This has contributed to the above exceptions regarding missing volunteer documentation that is required to be maintained.

We recommend volunteer files be created and used to store records required by the state.

Institution Response

How compliance was achieved:
Paper and electronic files used to store records required by the state have been created for volunteers, they have been entered into the Child+ database for staff requirement tracking.

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

Volunteers will be subject to the same new hire processing procedures as employees, at the time they complete the HR volunteer packet paperwork, including the creating of paper and electronic files used to store records required by the state, and entry into the Child+ database for tracking.

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

Monthly staff reports reviewed by supervisors will assure that volunteer files have been created as required.

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

The CFRC director, supervisors and office manager may be held accountable in the future if repeat or similar problems arise.

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

Files have been created for volunteers as of November 2, 2015. New volunteers will be processed and files created to store records required by the state, under the same requirements as CFRC employees. The office manager will ensure that all new volunteer files are created and volunteers are entered into the Child+ database for tracking.

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

The office manager will retain monthly progress reports of compliance for future audit, management and performance review.

PETTY CASH FUND

We noted CFRC has established a petty cash fund by withholding a portion of cash received from donations and other receipts. University policy requires cash funds to be established and approved through the Controller's Office for proper recording in the university's financial records.

We recommend the money contained in the petty cash fund be deposited at the Cashier's Office and that a new petty cash fund be requested from the Controller's Office, as required.

Institution Response

How compliance was achieved:

CFRC has reviewed the university's petty cash policies and deposited the money at the Cashier's Office on January 13, 2016. CFRC will begin the process to establish an approved petty cash account through the Controller's Office when needed.

**What will be done to avoid the identified problems and issues in the future?
CFRC will use only an approved petty cash fund established through the Controller's Office, and will adhere to university policy in all petty cash transactions.**

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

Required weekly reconciliation of petty cash funds will measure, monitor and assure compliance and future good management and practice.

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

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

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

Cash funds were deposited at the Cashier's Office on January 13, 2016.

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

Request for Payment forms, Petty Cash Reimbursement Vouchers, payment receipts and required weekly reconciliation of petty cash funds will be documentation for future audit, management and performance review.

ACCOUNTS RECEIVABLES

The CFRC incurs accounts receivables from the accumulation of unpaid tuition and fees.

We noted procedures for collecting outstanding balances have not been developed. We also noted the CFRC's software management system is not utilized to track accounts receivables. We were informed the balance of accounts receivables was not available at the time of our review.

We were also informed that past due accounts have not been sent to a collection agency or reported to the Controller's Office for possible inclusion in the university's financial statements.

We recommend procedures for monitoring and collecting past due accounts be established and documented in the CFRC Operations Manual. We recommend the procedures

include a process for generating an accounts receivables report from the software management system and reviewing the report on a periodic basis, such as each month, to determine appropriate collection activities. We recommend consideration be given for sending accounts that have been inactive for an extended period of time to a collections agency. We also recommend accounts receivables balances be reported to the Controller's Office at the conclusion of each fiscal year.

Institution Response

How compliance was achieved:

The following will be documented in the Parent Handbook and Operations Manual, "Payment for the upcoming month is due within 72 hours of the first business day of the month. If payment is not received, an email reminder will be sent and a \$25.00 fee assessed to the late payee's account. If full payment is not received within 5 business days of the first working day of the month, a two week notice will be issued by the Child & Family Research Center and the child care slot will be offered to the next family on the list, the past due account will be sent to collection."

The office manager will generate an accounts receivables report from the software management system and review the report monthly to determine appropriate collection activities, review of inactive past due accounts to determine if they will be sent to a collections agency. The office manager will work with the Cashier's Office and use their collection agency accounts. The office manager will report accounts receivables balances to the Controller's Office at the conclusion of each fiscal year.

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

The office manager will generate and review software management generated accounts receivables reports each month, to determine appropriate collection activities, using the established procedures for monitoring and collecting past due accounts.

Payment for the upcoming month is due within 72 hours of the first business day of the month. If payment is not received, an email reminder will be sent and a \$25.00 fee assessed to the late payee's account. If full payment is not received within 5 business days of the first working day of the month, a two week notice will be issued by the Child & Family Research Center and the child care slot will be offered to the next family on the list, the past due account will be sent to collection. Inactive/past due accounts will be identified and investigated, and may be sent to a collection agency.

Written policy will dictate that CFRC will report accounts receivable balances to the Controller's Office at the conclusion of each fiscal year.

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

Monthly review of software management generated accounts receivables reports and quarterly director/office manager meetings will measure, monitor and assure compliance and future good management and practice.

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

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

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

Procedures for monitoring and collecting past due accounts, and documentation of the process in the CFRC Operations Manual will be complete by February 1, 2016. Implementation will begin immediately thereafter and include review of software management generated accounts receivables reports each month, quarterly meetings of the director and office manager to determine appropriate collection activities, and investigation of inactive/past due accounts to determine if they will be sent to a collection agency.

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

Compliance and performance will be documented by review of software management generated accounts receivables reports each month, and annual reporting of accounts receivables to the Controller's Office at the end of the fiscal year will be documentation for future audit, management and performance review.

VOLUNTEERS

As previously indicated in this report, the CFRC utilizes volunteers to provide childcare services to the center. We were informed that approximately 52 volunteers were used during the audit period. The Business Center North (BCN) Workers' Compensation Office requires university departments to provide volunteers a copy of the NSHE sexual harassment policy. Volunteers must sign and date an acknowledgement form as evidence they received and reviewed the policy. Volunteers are also required to sign a volunteer agreement form. Upon completion the forms are required to be submitted and maintained by the workers' compensation office.

We noted 14 of the 52 volunteers were not reported to the worker's compensation office. We also noted CFRC did not maintain copies of any of the volunteer forms.

We recommend volunteer assignments be reported to the worker's compensation office, as required. We also recommend copies of volunteer forms be maintained by CFRC.

Institution Response

How compliance was achieved:

All active volunteers have completed the UNR Volunteer Packet. The packets have been sent to HR and department copies of required forms kept in each volunteer's file, maintained by the office manager. All volunteers have been entered into the Child+ database for requirement tracking purposes.

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

Volunteers will not be allowed in classrooms or work areas until they have been subject to the same checklist process as new employees:

- **the new person provides CFRC with the required appropriate documentation and completes HR Volunteer Packet paperwork**
- **HR Volunteer Packet paperwork is submitted to HR**
- **paper and electronic files are created and maintained by the office manager**
- **the new volunteer is assigned a supervisor and entered into the Child+ database for staff requirement tracking**

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

Supervisors will monitor staff reports to assure their volunteers are processed appropriately.

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

Supervisors may be held accountable in the future if repeat or similar problems arise.

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

Measures have been taken as of November 2, 2015 and volunteers are processed as stated above. Compliance and good practice will be secured as new volunteers are processed.

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

Compliance and performance is documented in each volunteer's file for future audit, management and performance review.

EQUIPMENT

A review of equipment under \$5,000 that is required to be tracked by CFRC was performed. Of the eight items tested, the following exceptions were noted.

1. Two computers on the CFRC equipment inventory list could not be located.

We recommend the disposition of these items be determined. If the computers were disposed of or salvaged, we recommend they be removed from the equipment inventory list and that greater care be taken in the future to ensure these transactions are processed through the BCN Purchasing Department as required.

Institution Response

How compliance was achieved:

We have determined the two computers were sent to surplus. The office manager has requested removal from the fixed asset list.

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

Surplus items will be documented properly and removed promptly from fixed asset or inventory lists. Department employees have been reminded in writing of asset, inventory and surplus policies.

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

Surplus items will be processed through the office manager, correct documentation will be recorded electronically, and inventory lists will reflect dates of surplus and disposition of the item.

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

The person assigned the property may be held accountable in the future if repeat or similar problems arise.

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

Measures are taken as of January 4, 2016. Compliance and good practice will be secured as property is managed appropriately.

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

Fixed asset, surplus documents and inventory lists will be documentation for future audit, management and performance review.

2. Four computers were observed in CFRC facilities that were not recorded on the equipment inventory list.

We recommend equipment purchases be properly tracked and recorded on the equipment inventory list.

Institution Response

How compliance was achieved:

The four computers are now recorded on the equipment inventory list. Supervisors will report new equipment either purchased or received by donation to the office manager so they may be proper properly tracked and recorded on the equipment inventory list.

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

Supervisors have been reminded to and will report new equipment either purchased or received by donation to the office manager so they may be proper properly tracked and recorded on the equipment inventory list.

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

Supervisors will receive a list of their inventory items annually and confirm all items are listed correctly.

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

Supervisors may be held accountable in the future if repeat or similar problems arise.

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

Measures are taken as of January 4, 2016.

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

Fixed asset reports and inventory lists will serve as documentation for future audit, management and performance review.

EXPENDITURES

A sample of 105 expenditure transactions was reviewed for proper supporting documentation and approval, reasonableness, and compliance with established purchasing procedures. During this review we noted one occasion in which a Host Expense Documentation and Approval form was not completed for a hosting transaction. On one other occasion, a Host Expense Documentation and Approval form was completed but the names of individuals hosted were not provided on the form.

We recommend the Host Expense Documentation and Approval form be properly completed and approved for hosting transactions.

Institution Response

How compliance was achieved:

Host Expense Documentation and Approval Forms will be properly completed and approved for hosting transactions.

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

Host forms will be fully and carefully completed for host transactions by the office manager, reviewed and approved by the director, submitted with all required documentation to the Dean's Office for approval, then sent to the Controller's Office for processing.

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

Compliance and future good management and practice will be measured as host forms are generated and submitted, monitored and assured by the office manager and subsequent approval processes.

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

The office manager may be held accountable in the future if repeat or similar problems arise.

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

Measures will be taken, compliance and good practice secured as host forms are generated and submitted for all levels of approval.

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

Each host form will be documentation for future audit, management and performance review.

SELF-SUPPORTING BUDGETS

Board of Regents policy requires self-supporting budgets that are projected to exceed \$25,000 in expenditure activity to be included in the annual budget process and reported to the NSHE System Administration Office. We noted one CFRC self-supporting account exceeded the \$25,000 reporting threshold in fiscal year 2013-14 that was not reported.

We recommend self-supporting budgets be reported in accordance with Board of Regents policy.

Institution Response

How compliance was achieved.

Planning, Budget & Analysis staff monitor self-supporting budgets and revisions for compliance with Board of Regents policy. The office designed a computer program to check for previously unreported accounts that have exceeded the expenditure threshold. We also developed a program to identify budget revisions to reportable self-supporting accounts exceeding twenty-five percent, or \$100k (increase/decrease) of total budget. These programs supplement analyst review at the time of processing new budgets or revisions.

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

The Planning, Budget and Analysis Senior Budget Officer will run a report monthly to verify all self-supporting budgets with over \$25k in expenditures have been reported, likewise a report for reportable revisions.

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

The computer program will identify accounts that have exceeded the \$25k threshold as well as the increase/decrease reportable amounts. Staff will review the program monthly to assure that all appropriate budgets have been submitted to the Chancellor's Office.

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

The Associate Vice President of Planning, Budget & Analysis.

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

Effective October 2015, we generated a report on a monthly basis, as opposed to every six months, to ensure all reportables (new and revised) are reported in a timely manner.

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

The Senior Budget Officer reviews, initials and dates a hard copy of the monthly report. The report will be on file in Planning, Budget & Analysis Office.

SOFTWARE APPLICATION REVIEW

We noted the password parameters established for the CFRC software management system are not in compliance with NSHE policy. The parameters do not enforce password expirations nor do they employ complex passwords, such as a minimum number and type of characters. Both of these controls are required by NSHE policy.

We recommend the CFRC utilize the capability of the software to enforce password expirations and complex passwords.

Institution Response

How compliance was achieved:

CFRC is now utilizing Child+ software capability to enforce password expirations and require complex passwords.

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

Child+ software security settings now requires all users to create complex passwords and enforce password expirations.

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

Child+ administrators can confirm at any time that the software settings are set for complex passwords and enforced expirations.

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

The EHS enrollment and reporting coordinator will be responsible and may be held accountable in the future if repeat or similar problems arise.

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

All Child+ users are now required to create complex passwords, which have enforced password expirations.

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

Child+ administrators can confirm at any time that the software settings are set for complex passwords and enforce expirations.

PRIOR AUDIT

The prior audit of the UNR CFRC was conducted for the period of July 1, 1997 through June 30, 1998. All recommendations from the prior audit have been implemented, are no longer applicable, or are addressed in this audit.

STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of six self-supporting, five gift, and 18 grant accounts that have been assigned to CFRC. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	Self-Supporting Accounts	Gift Accounts	Total
Balance July 1, 2013	\$ 776,289	\$ 61,652	\$ 837,941
Transfers In	33,534	-	33,534
Revenues			
Indirect Cost Recovery	22,796	-	22,796
Sales of Educational Activities	722,260	-	722,260
Total Revenues	745,056	-	745,056
Transfers Out	180,253	-	180,253
Expenditures			
Salaries	547,734	8,933	556,667
Travel	7,184	-	7,184
Host	-	2,978	2,978
Operations	96,527	1,804	98,331
Participant Support	4,534	-	4,534
Total Expenditures	655,979	13,715	669,694
Balance June 30, 2014	\$ 718,647	\$ 47,937 ¹	\$ 766,584
Balance July 1, 2014	\$ 718,647	\$ 49,157 ¹	\$ 767,804
Transfers In	40,919	-	40,919
Revenues			
Indirect Cost Recovery	5,482	-	5,482
Sale of Educational Activities	584,567	-	584,567
Total Revenues	590,049	-	590,049
Transfer Out	121,225	-	121,225
Expenditures			
Salaries	575,344	-	575,344
Travel	1,892	-	1,892
Host	-	1,630	1,630
Operations	53,404	7,607	61,011
Total Expenditures	630,640	9,237	639,877
Balance June 1, 2015	\$ 597,750	\$ 39,920	\$ 637,670

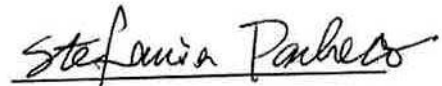
1. Variance is due to timing difference related to gifts received by the UNR Foundation in fiscal year 2013-14 that were posted to CFRC accounts in fiscal year 2014-15.

Grant Accounts

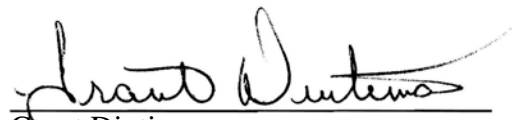
Balance July 1, 2013	<u>\$ 11,243,130</u>
Transfer Out	<u>64,303</u>
Expenditures	
Salaries	7,188,373
Travel	92,734
Operations	722,433
Participant Support	724,933
Sub-Agreements	1,025,832
Tuition	5,966
Indirect Cost	<u>647,279</u>
Total Expenditures	<u>10,407,550</u>
Balance June 1, 2015	<u><u>\$ 771,277</u></u>

The Internal Audit Department appreciates the assistance and cooperation received from
CFRC employees during this review.

Reno, Nevada
November 30, 2015



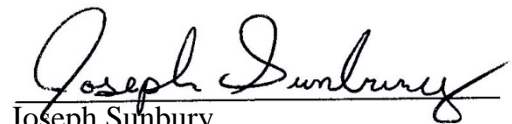
Stefania Pacheco
Internal Auditor II



Grant Dintiman
Information Technology Auditor



Scott Anderson
Internal Audit Manager



Joseph Sunbury
Chief Internal Auditor



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Memorandum

To: Joseph Sunbury, NSHE Chief Internal Auditor
From: Tom Judy
Date: January 22, 2016
Subject: Child and Family Research Center

The purpose of this memorandum is to transmit the audit response from the College of Education to the audit of the Child and Family Research Center for the period July 1, 2013 through May 31, 2015.

I have reviewed and concur with all responses.

cc: Marc Johnson, President
Ronald Zurek, Vice President, Administration and Finance
Kenneth Coll, Dean, College of Education



CHILD AND FAMILY RESEARCH CENTER

AUDIT PERIOD

July 1, 2013 through May 31, 2015

NUMBER OF RECOMMENDATIONS

24

#	Recommendation	Implemented	Est. Date of Completion
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CASH CONTROLS

1	We recommend that a portion of the above duties be assigned to another employee.	Yes	
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2	We recommend two employees be involved in the preparation of the deposit and that both employees sign the deposit slip.	Yes	
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3	We also recommend a periodic reconciliation be performed by an independent employee between the receipts that are collected and deposited, and those that are posted to the software management and financial accounting systems.	Yes	
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4	We recommend greater care be taken to ensure payments are processed upon receipt so deposits can be prepared in a timely manner.	Yes	
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5	We recommend deposits be transported in accordance with university policy.	Yes	
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6	We recommend adequate supporting documentation for deposits be maintained, as required.	Yes	
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STATE REGULATIONS - FACILITIES

7	We recommend compliance with state regulations for conducting fire and natural disaster drills, completing and maintaining staff and children sign-in sheets, and for handling medications.	Yes	
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8	We recommend CFRC staff be reminded of these requirements.	Yes	
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STATE REGULATIONS - EMPLOYEE & VOLUNTEER RECORDS

9	We recommend compliance with state regulations regarding background investigations, tuberculosis testing, employee orientation and initial training, and annual professional development training.	Yes	
10	We recommend CFRC staff and volunteers be reminded of these requirements.	Yes	
11	We recommend volunteer files be created and used to store records required by the state.	Yes	

PETTY CASH FUND

12	We recommend the money contained in the petty cash fund be deposited at the Cashier's Office and that a new petty cash fund be requested from the Controller's Office, as required.	Yes	
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ACCOUNTS RECEIVABLES

13	We recommend procedures for monitoring and collecting past due accounts be established and documented in the CFRC Operations Manual.	Yes	
14	We recommend the procedures include a process for generating an accounts receivables report from the software management system and reviewing the report on a periodic basis, such as each month, to determine appropriate collection activities.	Yes	
15	We recommend considerations be given for sending accounts that have been inactive for an extended period of time to a collections agency.	Yes	
16	We also recommend accounts receivables balances be reported to the Controller's Office at the conclusion of each fiscal year.	Yes	

VOLUNTEERS

17	We recommend volunteer assignments be reported to the worker's compensation office, as required.	Yes	
18	We also recommend copies of volunteer forms be maintained by CFRC.	Yes	

EQUIPMENT

19	We recommend the disposition of these items be determined.	Yes	
20	We recommend they be removed from the equipment inventory list and that greater care be taken in the future to ensure these transactions are processed through the BCN Purchasing Department as required.	Yes	
21	We recommend equipment purchases be properly tracked and recorded on the equipment inventory list.	Yes	

EXPENDITURES

22	We recommend the Host Expense Documentation and Approval form be properly completed and approved for hosting transactions.	Yes	
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SELF-SUPPORTING BUDGETS

23	We recommend self-supporting budgets be reported in accordance with Board of Regents policy.	Yes	
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SOFTWARE APPLICATION REVIEW

24	We recommend the CFRC utilize the capability of the software to enforce password expirations and complex passwords.	Yes	
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