

UNIVERSITY OF NEVADA, RENO
FACILITIES MAINTENANCE SERVICES
Internal Audit Report
July 1, 2013 through February 28, 2015

GENERAL OVERVIEW

Facilities Maintenance Services (FMS) is one of two units that falls administratively under the Facilities Services Department (FSD) at the University of Nevada, Reno (UNR). The unit is responsible for providing preventative maintenance and repairs to university buildings, as well as providing minor improvements, grounds maintenance, custodial services, and utilities maintenance throughout the main campus and satellite locations. FMS is also responsible for the issuance of building keys, building perimeter security, fire extinguisher maintenance, and moving and snow removal services. FMS has an annual operating budget of nearly \$20 million and employs approximately nine professional, 180 classified, and 18 student employees.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of FMS at the University of Nevada, Reno for the period of July 1, 2013 through February 28, 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. Reviewing the operations of the FMS and testing controls over tools and supplies inventory.
2. Examining recharge activity.

3. Testing expenditures for reasonableness, supporting documentation, and proper signature approvals.
4. Reviewing and testing controls over the daily receipt and deposit of funds.
5. Reviewing payroll and leave records for accuracy and proper completion.
6. Verifying equipment inventories for proper accountability.
7. Reviewing records of employees that drive university vehicles to determine compliance with state and university driver training requirements.
8. Testing employee access to the mainframe computer applications for reasonableness.

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

TOOLS AND SUPPLIES INVENTORY

FMS is comprised of several trade shops such as carpentry, electrical, plumbing, custodial, and others that are necessary to maintain campus buildings and grounds. A significant inventory of tools and supplies are needed for these functions. We reviewed the process for purchasing, receiving, and storing of the tool and supply inventories to determine whether proper controls have been established. The following exceptions were noted.

Tools Inventory

1. We were informed that each trade shop maintains a written list of their tool inventory. Separate inventory lists are maintained to document tools that are kept on university vehicles as well as tools issued directly to employees. We noted inventory counts are occasionally performed to determine accountability of the trade shop inventories; however, the counts are not documented and are not performed on a standard, periodic

schedule. We also noted the inventory that is maintained on university vehicles is not counted and the inventory issued to employees is verified only upon termination of the employee.

We recommend inventory counts of all tool inventories be conducted on at least an annual basis. We also recommend the counts be documented, including the date and signatures of the individuals involved in the counts, and that a copy be maintained outside of the inventory areas.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. Facilities Maintenance Services (FMS) implemented a standard operating procedure (SOP) for tool inventory on an annual basis. The initial tool inventory count was taken October 26 through November 30, 2015. Tool inventory counts were documented and scanned into an electronic computer maintenance management system (TMA Systems).**
- **What will be done to avoid the identified problems and issues in the future? All tools will be inventoried annually by an Assistant Director that is not directly responsible for the inventoried area. Tool inventory sheets will be signed and scanned into TMA for accurate record keeping.**
- **How compliance and future good management and practice will be measured, monitored and assured. Assistant Directors for each shop will review tool inventory sheets and sign each sheet as documentation that an inventory was completed. The Assistant Director, Maintenance Support Services will ensure that all completed and signed sheets are recorded and scanned into TMA.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Senior Director, Facilities Maintenance Services is responsible for ensuring annual inventories are completed and will be held accountable in the future for any issues which may arise.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures have been implemented, and the process for documenting annual inventories will be completed and established by November 30, 2015. Tool inventory counts will continue and be conducted annually each November.**
- **How compliance and performance will be documented for future audit, management and performance review. The Assistant Director, Maintenance Support Services will create a TMA work order for annual tool inventory in each shop. Each Assistant Director will initial and date the annual tool**

inventory sheet after completion. Each tool inventory sheet will be scanned into TMA for future audits or reviews.

2. When a trade shop inventory count is performed, it is conducted by the trade shop supervisor. No other person is involved in this process. We also noted the inventory lists are maintained by the trade shop supervisors. These procedures do not provide for an adequate segregation of duties.

We recommend a non-trade employee assist the trade supervisor when the counts are performed. We also recommend a copy of the trade shop inventory lists be maintained independently of the trade supervisors.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. FMS will implement an SOP and complete an initial inventory of tools by November 30, 2015. Tool inventories in each shop will be performed annually by an Assistant Director from another trade while being helped by the trade shop supervisor. When the lists are completed each list will be scanned into TMA and a hard copy will be kept with the Assistant Director whom is in charge of the shop.**
- **What will be done to avoid the identified problems and issues in the future? All shop tool inventories will be completed annually by two employees (an Assistant Director from outside the shop and the trade supervisor). Documents will be recorded and stored in TMA. TMA tool inventory sheets will only be accessible to modify or print by the system administrator and the Assistant Director, Maintenance Support Services.**
- **How compliance and future good management and practice will be measured, monitored and assured. Signed and dated copies of each tool inventory will be scanned and recorded into TMA. Each document will have two signatures for verification. The Assistant Directors for each will monitor annual inventories and ensure completion and compliance.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Senior Director, Facilities Maintenance Services is responsible for ensuring Assistant Directors complete annual inventories and trade supervisors do not perform their own inventories. Each shop Assistant Director is responsible to maintain a copy of the trade shop inventory list independent of the trade supervisor.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. FMS plans to have all appropriate measures**

implemented for completing annual inventories by November 30, 2015. These processes will continue annually each November.

- **How compliance and performance will be documented for future audit management and performance review. TMA will initiate a work order for annual tool inventory in each shop. Each Assistant Director will initial and date the annual tool inventory sheet that they helped the trade supervisor complete. Each sheet will be scanned into TMA for future audits or reviews. All information will be available in TMA.**

3. A procedure does not currently exist to update the inventory lists as new tools are purchased. We were informed that new tool purchases have recently begun to be entered into the department's electronic maintenance management system.

We recommend a system report of new tool purchases be periodically generated and used to update the inventory lists. We also recommend consideration be given for maintaining the tool inventories in the electronic maintenance management system in order to provide a more controlled method for documenting and tracking the inventory.

Institution Response

FMS agrees with audit findings and recommendation.

- **How compliance was achieved. In June 2015 FMS implemented a process to centralize the acquisition of all purchases including tools. All tool purchases are received in the central warehouse and entered into the electronic maintenance management system TMA.**
- **What will be done to avoid the identified problems and issues in the future? All tool purchases are tracked through TMA. Annually, the inventory list will be printed from TMA for FMS Assistant Directors to use to audit shop inventory lists to ensure they are properly updated.**
- **How compliance and future good management and practice will be measured, monitored and assured. Compliance and future tool inventory management are measured, monitored and assured through annually generated tool inventory reports by the Maintenance Support Services Staff. In addition, a tool inventory policy regarding purchasing and updating tool lists will be implemented by November 30, 2015.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. Each Assistant Director in FMS is accountable for ensuring compliance for tool purchases. The Assistant Director, Maintenance**

Support Services is accountable for ensuring tools are entered into the computer system

- **When the measures will be taken and on what schedule compliance and good practice will be secured. The centralized purchasing and computer system update process was complete as of July 1, 2015 with 100% compliance and working as designed. Annually, beginning in January 2016, a report will be generated for new tool purchases.**
- **How compliance and performance will be documented for future audit, management and performance review. TMA purchasing reports will be generated annually and used by Assistant Directors to audit shop inventory lists. Audit documentation will be signed by the Assistant Director and scanned into TMA.**

4. During a review of the inventory lists, we noted the lists varied in format and the information provided. For example, some lists included the serial number and the quantity of each item while others did not.

We recommend a standard inventory list be created and utilized. We recommend the list include the trade shop, vehicle, or name of employee the inventory was issued to, serial number of the equipment if available, number of items on hand, purchase price if available, and the date the inventory was most recently updated.

Institution Response

FMS agrees with the audit findings and recommendation.

- **How compliance was achieved. On October 26, 2015 FMS implemented a standard tool inventory template for all trade shops to complete tool inventory. Each list included the date the inventory was performed, trade shop name, location, the employee assigned the tool, quantity and purchase price.**
- **What will be done to avoid the identified problems and issues in the future? Annually each trade shop will use the tool inventory list that was created. The list will be signed by the Assistant Director and scanned into TMA.**
- **How compliance and future good management and practice will be measured and monitored and assured. Compliance will be assured by each Assistant Director signing the tool inventory when completed. The form will not be signed or scanned if columns or rows are missing pertinent inventory or information. The standard template will be updated by the Assistant Director, Maintenance Support Services if needed.**

- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Senior Director, Facilities Maintenance Services is accountable for ensuring compliance.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. The standard template is currently in use as of October 26, 2015. 100% compliance has been achieved.**
- **How compliance and performance will be documented for future audit, management and performance review. The tool inventory template will be stored in a secure location on the Facilities G: Drive. Completed inventories will be stored and secured in TMA. Compliance and performance documentation is available through TMA which stores and secures completed inventory documents.**

Supplies Inventory

FMS is currently in the process of developing a centralized function for the acquisition, receipt, and storage of its supplies inventory. For those trade areas where this system has been implemented, supply purchases are coordinated primarily through the main warehouse, recorded in the electronic maintenance management system, and received and stored in the main warehouse. As the items are needed, they are requisitioned from the warehouse and subtracted from inventory. In our view, this type of system provides improved accountability of supply purchases and usage and promotes good overall controls. At this time, however, a number of trade areas are still purchasing and storing supplies outside the main warehouse.

For improved control over this area, we recommend FMS continue to pursue a centralized function for its supply inventories, including bringing all such inventories into the electronic maintenance management system.

Institution Response

FMS agrees with the audit findings and recommendation.

- **How compliance was achieved. In September 2013 FMS began a 5 year planned process to centralize the acquisition, storage, and receipt of its supplies inventory. The process of centralization is in progress, but not yet complete.**

- **What will be done to avoid the identified problems and issues in the future? All supplies and the usage of those supplies are tracked through an electronic computerized maintenance management system, TMA. Purchasing and receiving is accomplished through a centralized process. Supplies are stored in a centralized controlled warehouse with the exception of minimal shop level supplies that are issued in bulk through the warehouse.**
- **How compliance and future good management and practice will be measured, monitored and assured. Compliance and future goods management and practice are measured, monitored, and assured through monthly training of the Maintenance Support Services Staff, automated reports generated by TMA, cycle counting of inventory, and annual inventory operations.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Maintenance Support Services is accountable for ensuring compliance.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. The planned process to centralization is 75% complete and is on target for completion December 2016. Centralized receipt of goods is 100% compliant as of July 1, 2014 and working as designed.**
- **How compliance and performance will be documented for future audit, management and performance review. Compliance and performance documentation is available through reports generated in TMA. TMA tracks the data for all purchasing, receiving, inventory and movement of supplies.**

Other

As part of our review of the supplies purchasing and inventory process, a sample of supply expenditures was reviewed to determine whether the purchases were reasonable and were assigned to a work order in the electronic maintenance management system. We noted one occasion in which a significant amount of supplies was purchased by a trade employee. A work order number was referenced on the expense documentation; however, the supplies were not recorded on the work order in the electronic maintenance management system. Therefore, the final disposition of the supplies could not be determined.

We recommend supply purchases be recorded on work orders in the electronic maintenance management system to ensure an accurate accounting of materials.

Institution Response

FMS agrees with the audit findings and recommendation.

- **How compliance was achieved. Supplies are accounted for using a TMA work order as they are issued from the central warehouse. This process was implemented July 1, 2015.**
- **What will be done to avoid the identified problems and issues in the future? Per procedure, the central warehouse staff is trained and responsible for issuing the supplies to a TMA work order as the supply is removed from the central warehouse.**
- **How compliance and future good management and practice will be measured, monitored and assured. The periodic cycle counting of inventory is conducted using TMA to assure supply counts are correct, also allowing for rapid response to inaccuracies with retraining. Cycle count schedules are set based on the value of the supply and the annual quantity used. Therefore high value and fast moving supplies are inventoried often during the year. Additionally, automated reports, through TMA, detail the movement and utilization of supplies for work orders. These reports are sent to the appropriate Assistant Directors for monthly review.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Maintenance Support Services is accountable for ensuring compliance.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. This is complete and is in place as of July 1, 2015 with 100% compliance and working as designed.**
- **How compliance and performance will be documented for future audit, management and performance review. TMA reports will be utilized to provide information for any future audit, management and performance review regarding the accurate accounting for materials.**

RECHARGE

A recharge center is any separately accounted for activity of the university which provides and charges for goods or services to other departments and/or accounts on campus. Recharge rates must be based on actual costs and be charged consistently to all users so as to avoid discriminatory pricing between federal and non-federal users. On an annual basis, recharge rates and financial statements must be prepared and submitted to the UNR Controller's Office for review and approval to ensure compliance with federal requirements.

FMS has two approved recharge accounts that are used to document services provided for asbestos abatement and non-maintenance services to campus departments. We noted recharge rates and financial documentation for the two accounts were properly completed and submitted to the Controller's Office. We also reviewed a sample of 12 recharge transactions for proper calculation and supporting documentation. The following exceptions were noted.

1. Two transactions involved emergency repair services provided by FMS that were charged to each recharge account. The costs were later recovered through property loss insurance claims that were subsequently posted as revenue to the recharge accounts.

We recommend such activity be recorded in the department's established insurance recovery account.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. The Assistant Director, Accounting Services provided refresher training on the proper processing of property loss claims during the October 23, 2015 accounting staff meeting.**
- **What will be done to avoid the identified problem and issues in the future? The Assistant Director, Accounting Services will review and investigate the source of revenue transaction to ensure the appropriate insurance recovery account is used.**
- **How compliance and future good management and practice will be measured, monitored and assured. The Assistant Director, Accounting Services will review the monthly insurance recovery account reconciliation to identify new revenue postings and ensure they have been previously investigated and properly recorded.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Accounting Services has the responsibility for ensuring revenue is correctly posted to the correct account.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures have been implemented and the process to review revenue posting during the monthly reconciliation review was established in October 2015.**
- **How compliance and performance will be documented for future audit, management and performance review. The Assistant Director, Accounting**

Services will initial and date the monthly account reconciliation to indicate review.

2. On three occasions, the entire cost of labor and/or materials for recharge activities were not charged. This includes one occasion in which a quotation was not calculated using the approved recharge labor rate and included an administrative fee that was not included in the approved rate.

We recommend recharge activities be assessed by using the approved labor rates and cost of materials, as required. We also recommend the UNR Recharge Center Policies and Procedures be reviewed with staff involved in the recharge process, including trade supervisors and employees who may provide quotations to customers, as well as those involved in the review, approval, processing and payment of recharge activities.

Institution Response

FMS agrees with audit findings and recommendation.

- **How compliance was achieved. The UNR Recharge Center Policies and Procedures were reviewed with all staff involved in the recharge process on November 4, 2015. The approved labor rates and actual cost of materials are currently used in all recharge activities. Senior management may determine the cost of work is to be shared between FMS and another department. These decisions will be documented in a manner that is auditable. An example is the establishment of a memorandum of understanding between FMS and the department.**
- **What will be done to avoid the identified problems and issues in the future? Annual review of the UNR Recharge Center Policies and Procedures will be conducted and affected staff will be provided refresher training. Dedicated trained staff will oversee recharge administration, quotes, and work completion.**
- **How compliance and future good management and practice will be measured, monitored and assured. The Accounting Services Administrative Assistant will review each work order for the correct recharge rates and compliance prior to processing the recharge. Any work orders not in compliance or containing the incorrect recharge rate will be returned to the FMS Service Center for correction prior to processing.**

- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Maintenance Support Services is accountable for ensuring compliance.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. This process is 100% in compliance and is working as designed as of November 4, 2015.**
- **How compliance and performance will be documented for future audit, management and performance review. Reports from TMA are available to be audited against accounting records. The Accounting Services Administrative Assistant maintains a Recharge Workbook that lists the status of all recharge work orders including work orders that have been returned for correction. The completed recharge package which contains the associated invoice, work order, Internal Purchase Order, and other accounting documents are scanned into the FSD accounting files and maintained by Accounting Services.**

3. During this review, we noted FMS personnel make decisions to determine which work requests are paid with state appropriations or other institutional funds and those that are processed through the recharge program. Several criteria are used in the decision making process including the urgency of the request, location, and types of services and materials provided. We noted some of the criteria used for making these decisions has been documented while others have been drafted but not yet been finalized by the department. It is important that the criteria be properly identified and documented in a central location to ensure the establishment of accurate recharge rates, as well as consistency in billing and pricing among users.

We recommend FMS complete the process of identifying and documenting the relevant criteria that are used to determine recharge activity.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. The documentation, criteria, policies and procedures are being reviewed, finalized, and the affected staff trained. Criteria will be available electronically to the staff for quick centralized reference in a dedicated FMS folder.**
- **What will be done to avoid the identified problems and issues in the future? A work review meeting occurs weekly to discuss work requests involving recharge. The members of the work review team will be trained on the appropriate policies, procedures, and criteria annually.**
- **How compliance and future good management and practice will be measured, monitored and assured. Documentation of the relevant criteria and policies and procedures will be reviewed annually by the Assistant Director of Maintenance Support Services to ensure accuracy and compliance.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Maintenance Support Services is accountable for ensuring compliance.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. This will be 100% in compliance as of February 1, 2016.**
- **How compliance and performance will be documented for future audit, management and performance review. The Assistant Director of Maintenance Support Services will pull records from TMA software to audit against Recharge Policies and Procedures.**

4. A revenue transaction resulting from a class action lawsuit was recorded in the asbestos abatement recharge account. Further review indicated that two prior settlement payments related to the same lawsuit were posted to different Facilities Services accounts, including a plant fund account. The receipts were inconsistently treated and in our opinion, should not have been recorded in the recharge or plant fund accounts.

We recommend the remaining funds from these transactions be transferred to an appropriate account.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. The Assistant Director, Accounting Services approved and submitted a journal voucher to move the class litigation revenue from the asbestos recharge account and transfer voucher to move the balance from the asbestos abatement fund (plant fund) to the campus asbestos abatement reimbursement account on October 20, 2015.**
- **What will be done to avoid the identified problem and issues in the future? The Assistant Director, Accounting Services will review and investigate the source of revenue transaction to ensure the appropriate account is used.**
- **How compliance and future good management and practice will be measured, monitored and assured. The Assistant Director, Accounting Services will review the monthly account reconciliation to identify new revenue postings and ensure they have been previously investigated and properly recorded.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Accounting Services has the responsibility for ensuring revenue is correctly posted to the correct account.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures have been implemented and the process to review revenue posting during the monthly reconciliation review was established in October 2015.**
- **How compliance and performance will be documented for future audit, management and performance review. The Assistant Director, Accounting Services will initial and date the monthly account reconciliation to indicate review.**

DEFENSIVE DRIVING COURSES

State of Nevada and UNR policies require employees who drive state-owned vehicles to participate in a defensive driving course within the first year of employment and to complete refresher courses every four years. We selected a sample of 10 FMS employees to determine whether a certificate of completion for defensive driving and other required forms were on file. The following exceptions were noted.

1. Two employees did not complete a defensive driving course.

2. Two employees did not take refresher courses and as a result, their certificate for defensive driving was not current.

For items one and two, we recommend employees complete defensive driving and refresher courses, as required. We also recommend FMS take greater care in reviewing employee driving records to ensure those that have not completed the courses are notified to do so in a timely manner.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. FSD Human Resources conducted an audit in June 2015. All personnel files were checked to ensure employees had a current Defensive Driving Certificate. Employees who did not have a current Defensive Driving Certificate were enrolled in either a defensive driving course or a refresher course. Defensive Driving Certificates are being placed in personnel files as they are received. All employees will have a current Defensive Driving Certificate by January 1, 2016.**
- **What will be done to avoid the identified problem and issues in the future? FSD Human Resources will audit employee personnel files annually in June. An updated report will be sent to the Senior Director to ensure employees complete refresher courses. All new Facilities employees are notified during new hire orientation of the responsibility to complete the defensive driving course within four months of hire. During the first week of employment each employee supervisor will ensure that new employees are registered for the first available defensive driving course.**
- **How compliance and future good management and practice will be measured, monitored and assured. FSD Human Resources will audit employee files annually. A report will be sent to the Senior Director to ensure employees complete the course. FSD Human Resources will be responsible to monitor and make sure that certificates for each employee are received.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The FSD Human Resources Specialist has the responsibility for ensuring new employees complete the defensive driving course within the first four months of hire. The FSD Human Resources Specialist has the responsibility for ensuring employees are notified in a timely manner and defensive driving refresher courses are completed by employees every four years.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. The new process has been implemented and will be 100% compliant on January 1, 2016.**

- **How compliance and performance will be documented for future audit management and performance review. FSD Human Resources will keep the Defensive Driving Certificate in each employee file. Employee files will be audited yearly by FSD Human Resources to ensure employees are current with Defensive Driving Certificates. Supervisors and Assistant Directors will ensure that employees turn in certificates to FSD Human Resources after completion of the course.**

CASH CONTROLS

FMS collects payments for key deposits and other facilities related activities. We examined the procedures for collecting, processing, storing and depositing payments and noted the following exceptions.

1. Four of 15 deposits tested were not made in a timely manner. University policy requires receipts in excess of \$500 to be deposited within 24 hours of receipt and lesser amounts within three days of receipt.

We recommend funds be deposited in accordance with university policy.

Institution Response

FMS agrees with the audit findings and recommendation.

- **How compliance was achieved. Staff were retrained on the University and FMS policy in October 2015.**
- **What will be done to avoid the identified problems and issues in the future? Training for all staff handling cash transactions will be conducted on an annual basis. Immediate retraining will occur upon detection of any errors.**
- **How compliance and future good management and practice will be measured, monitored and assured. The employee authorized to perform deposits will monitor receipt dates and cash amounts and immediately report any deviation from the University and FMS policy. Any infractions will result in immediate retraining of the employee by their supervisor.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Maintenance Support Services is accountable for ensuring compliance.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. This is 100% compliant as of November 1, 2015 and is working as designed.**

- **How compliance and performance will be documented for future audit, management and performance review. Accounting Services maintains documentation for auditing purposes.**
2. The supporting documentation for two deposits tested was incomplete. One of these involved a deposit for metal recycling in which a copy of the vendor receipt and check could not be located. For the other deposit, a copy of the check deposited was not available.

We recommend source documents from the vendor be maintained as required.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. Training was conducted and a review of the University Administrative Manual Deposits of Cash Receipts 1,061 was conducted during the October 23, 2015 accounting staff meeting.**
 - **What will be done to avoid the identified problem and issues in the future? The Assistant Director, Accounting Services will review the monthly Cash Receipts Log to ensure each deposit has supporting documentation.**
 - **How compliance and future good management and practice will be measured, monitored and assured. In addition to the review of the monthly Cash Receipts Log, each log and supporting documentation will be scanned into a cash receipts folder to ensure records are properly maintained.**
 - **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Accounting Services has the responsibility for ensuring that supporting documentation for cash receipts are properly retained.**
 - **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures have been implemented and the process to review the monthly Cash Receipts Log, supporting documentation and the scanning of the log and supporting documentation was established in October 2015.**
 - **How compliance and performance will be documented for future audit, management and performance review. The Assistant Director, Accounting Services will initial and date the monthly Cash Receipts Log to indicate the review.**
3. Seven deposits included checks that were not made payable to the Board of Regents.

We recommend vendors be requested to make checks payable to the Board of Regents, as required.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. The Accounting Services staff contacted our recurring vendors who incorrectly addressed the checks and notified them that future checks need to be made payable to the Board of Regents. In October 2015, all vendors were sent a formal letter requesting checks be made payable to the Board of Regents.**
- **What will be done to avoid the identified problem and issues in the future? As part of the monthly review of the monthly Cash Receipts Log, the Administrative Assistant IV (AAIV) will look at each check for deposit and verify the checks was correctly made out to the Board of Regents. Vendors who sent incorrect checks will be contacted and notified that future checks need to be made payable to the Board of Regents. The AAIV will document the contact with the vendor on the supporting documentation which will be maintained with the Cash Receipts Log.**
- **How compliance and future good management and practice will be measured, monitored and assured. The Assistant Director, Accounting Services will review the monthly Cash Receipts Log and the supporting documentation to identify any checks incorrectly made out and verify that the vendor has been contacted and requested to make future checks out to the Board of Regents.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Accounting Services has the responsibility for ensuring vendors incorrectly addressing checks have been contacted and requested to make future checks out to the Board of Regents.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures have been implemented and the process to review the monthly Cash Receipts Log and contact vendors as needed was established in October 2015.**
- **How compliance and performance will be documented for future audit, management and performance review. The Assistant Director, Accounting Services will initial and date the monthly Cash Receipts Log to indicate the review.**

EXPENDITURES

We reviewed a sample of 105 expenditure transactions for proper supporting documentation, approval, reasonableness, and compliance with established purchasing procedures. During this review, we noted two independent contractor transactions in which the Certificate of Liability Insurance forms indicated insurance held by the contractors expired prior to the end of the contract period.

We recommend greater care be taken to ensure insurance coverage is active for the duration of the agreement.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. Training was conducted and a review of the Procedures for Independent Contractor Agreement (ICA) was conducted during the October 23, 2015 accounting staff meeting. Accounting staff was instructed to ensure all paperwork associated with the ICA was maintained including copies of the insurance coverage. A tickler file will be created to store the expiration of insurance coverage.**
- **What will be done to avoid the identified problem and issues in the future? The Assistant Director, Accounting Services will assign a staff member the responsibility to review the tickler file monthly to identify insurance coverage approaching expiration. The assigned staff member will issue a monthly Independent Contractor Insurance Coverage report to the appropriate administrative assistant, assistant director and the Assistant Director, Accounting Services providing notification of the pending expiration of the insurance coverage and request that the vendor be contacted to provide proof of coverage for the upcoming period.**
- **How compliance and future good management and practice will be measured, monitored and assured. The Assistant Director, Accounting Services will review the monthly Independent Contractor Insurance Coverage report and verify that updated proof of insurance is obtained for contracted periods.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The Assistant Director, Accounting Services has the responsibility for ensuring that proof of insurance coverage is maintained for contracted periods.**

- **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures are currently being implemented. The process to produce, issue and review the Independent Contractor Insurance Coverage report will be established by November 30, 2015.**
- **How compliance and performance will be documented for future audit, management and performance review. The Assistant Director, Accounting Services will initial and date the Independent Contractor Insurance Coverage report to indicate the review.**

LEAVE RECORDS

The leave records of three professional and six classified employees were reviewed to determine whether the records were accurately completed and proper record keeping procedures were followed. During this review, we noted leave taken by two employees was not recorded on their Attendance and Leave Record.

We recommend the employees' leave records be corrected.

Institution Response

FMS agrees with the audit finding and recommendation.

- **How compliance was achieved. In October, 2015 FSD Human Resources corrected the two employees leave records that were identified. FMS employee leave files are audited quarterly by identified leave auditors.**
- **What will be done to avoid the identified problem and issues in the future? The FSD Human Resource Specialist will ensure that leave records are audited quarterly by assigned leave auditors. Once audited, the leave records are printed and sent to all employees and supervisors for review. Employees, supervisors and leave auditors sign the leave record indicating it has been reviewed and return the record to FSD Human Resources to be placed in the personnel file.**
- **How compliance and future good management and practice will be measured, monitored and assured. The FSD Human Resource Specialist will review quarterly leave audits and verify completion.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The FSD Human Resource Specialist has the responsibility for ensuring leave records are maintained and audited correctly.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. Effective January 1, 2016, Facilities Services will implement iLeave. iLeave will require employees to request time off online**

and those requests are approved/denied by supervisors. iLeave will eliminate paper leave requests and the need to record leave on Excel spreadsheets greatly reducing errors. All other appropriate measures are currently implemented. The process to audit and review leave records will continue each quarter.

- **How compliance will be documented for future audits. FSD Human Resources will continue to audit leave records quarterly. Each Assistant Director and Senior Director will sign and date each quarterly leave report for employees. iLeave will also be used to record and document leave requests effective January 1, 2016.**

We also noted four occasions in which leave taken was not approved in a timely manner.

We recommend leave be approved in accordance with established policies.

Institution Response

FMS agrees with the audit findings and recommendations

- **How compliance was achieved. On October 7, 2015 training on approving leave in a timely manner and a review of the FSD Annual Leave, Sick Leave and Break Policy for all supervisors was held.**
- **What will be done to avoid the identified problem and issues in the future? FMS will continue to train supervisors and employees regarding university and department policies. When leave requests are received by FSD Human Resources and the leave request was not approved in a timely manner, an email will be sent to the appropriate supervisor discussing university and department policies. The email will also solicit a response as to why the leave request was signed late. The response will be placed in the personnel file for future reference.**
- **How compliance and future good management and practice will be measured, monitored, and assured. FSD Human Resources will monitor and track leave requests as they are submitted. They will verify that the leave requests are approved in a timely manner.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. FMS supervisors and Assistant Directors have the responsibility to ensure leave requests are signed in a timely manner. The FSD Human Resource Specialist is responsible for following up on leave requests signed late and documenting reasons for the infraction.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. Employees approving and processing leave were retrained on the policy and iLeave will be implemented on January 1, 2016.**
- **How compliance will be documented for future audits. FSD Human Resources will continue to monitor leave requests as they are received.**

Justification for late or untimely leave approvals will be documented and filed in each employee leave file for audits in the future. iLeave will also be used to record and document leave requests effective January 1, 2016.

OTHER

The following items were noted during this review; however, they are the responsibility of the Planning, Budget, and Analysis Office

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. Board policy also requires revisions to self-supporting accounts to be reported when the revisions exceed specified thresholds. We reviewed FMS' seven self-supporting accounts in the financial accounting system and noted one account that met the \$25,000 threshold for fiscal year 2013-14 that was not reported. We also noted that a reportable revision occurred in fiscal year 2013-14 for one self-supporting account that was not reported.

We recommend greater care be taken to ensure self-supporting accounts and revisions to self-supporting accounts are reported in accordance with board 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 will generate 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.**

PRIOR AUDIT

The prior audit of FMS was conducted for the period July 1, 1994 through November 30, 1995. All recommendations from the prior audit have been implemented, are no longer applicable or have already been addressed in this audit.

STATEMENT OF REVENUE AND EXPENDITURES

The statement of revenue and expenditures provided below is based on the activity of the fifty one state, seven self-supporting, eight gift, and one plant fund account that have been assigned to FMS. The information was obtained from the financial accounting system and is provided for informational purposes only.

	State Accounts	Self- Supporting Accounts	Gift Accounts	Plant Funds	Total
Balance July 1, 2013	\$ -	\$ 133,087	\$ 30,930	\$ 222,049	\$ 386,066
Transfers In	-	8	-	-	8
Revenues					
State Appropriations	19,802,043	-	-	-	19,802,043
Sales of Educational Activities	-	11,704	-	-	11,704
Other	-	49,715	-	-	49,715
Total Revenues	19,802,043	61,419	-	-	19,863,462
Transfers Out	-	2,346	-	-	2,346
Expenditures					
Salaries	7,341,062	182,390	-	-	7,523,452
Travel	2,863,778	-	-	-	2,863,778
Operations	15,717,625	106,003	92	-	15,823,720
Recharge	(7,462,086)	(207,856)	-	-	(7,669,942)
Equipment	1,349,691	-	-	-	1,349,691
New Construction	-	28,738	-	-	28,738
Total Expenditures	19,810,070	109,275	92	-	19,919,437
Balance June 30, 2014	\$ (8,027) ¹	\$ 82,893	\$ 30,838 ²	\$ 222,049	\$ 327,753

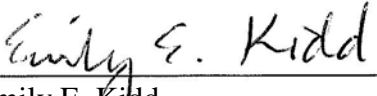
Balance July 1, 2014	\$ -	\$ 82,893	\$ 32,838	² \$ 222,049	\$ 337,780
Transfers In	-	500	-	-	500
Revenues					
State Appropriations	18,778,715	-	-	-	18,778,715
Sale of Educational Activities	-	6,475	-	-	6,475
Insurance Recovery	-	74,508	-	-	74,508
Other	-	36,804	-	-	36,804
Total Revenues	18,778,715	117,787	-	-	18,896,502
Transfer Out	-	887	-	-	887
Expenditures					
Salaries	8,619,430	173,955	-	-	8,793,385
Travel	168,412	-	-	-	168,412
Operations	11,259,642	194,621	1,057	65,206	11,520,526
Recharge	(7,205,608)	(146,982)	-	-	(7,352,590)
Equipment	156,239	16,070	-	-	172,309
New Construction	68,578	-	-	-	68,578
Total Expenditures	13,066,693	237,664	1,057	65,206	13,370,620
Balance February 28, 2015	\$ 5,712,022	\$ (37,371)	\$ 31,781	\$ 156,843	\$ 5,863,275

¹ Deficit balance was combined and balanced with the activity in Facilities Services' other state funded accounts.

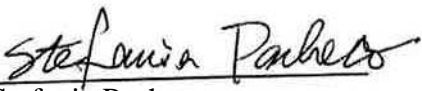
² Variance is due to timing difference related to gifts received by the UNR Foundation that were not posted to FMS accounts until July 2014.

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

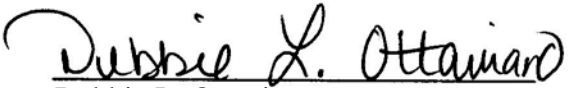
Reno, Nevada
October 9, 2015




Emily E. Kidd
Internal Auditor II



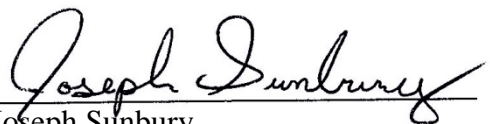
Stefania Pacheco
Internal Auditor II



Debbie L. Ottaviano
Senior Internal Auditor



Scott Anderson
Internal Audit Manager



Joseph Sunbury
Chief Internal Auditor



Memorandum

To: Joseph Sunbury, NSHE Chief Internal Auditor
From: Tom Judy
Date: November 20, 2015
Subject: Facilities Maintenance Services

The purpose of this memorandum is to transmit the response from Facilities Services to the audit of Facilities Maintenance Services for the period July 1, 2013 through February 28, 2015.

I have reviewed and concur with all responses.

cc: Marc Johnson, President
Ronald Zurek, Vice President, Administration and Finance
Sean McGoldrick, Associate VP Facilities Services



FACILITIES MAINTENANCE SERVICES

AUDIT PERIOD

July 1, 2013 through
February 28, 2015

NUMBER OF RECOMMENDATIONS

24

#	Recommendation	Implemented	Est. Date of Completion
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TOOLS AND SUPPLIES INVENTORY

TOOLS

1	We recommend inventory counts of all tool inventories be conducted on at least an annual basis.	Yes	
2	We also recommend the counts be documented, including the date and signatures of the individuals involved in the counts, and that a copy be maintained outside of the inventory areas.	Yes	
3	We recommend a non-trade employee assist the trade supervisor when the counts are performed.	Yes	
4	We also recommend a copy of the trade shop inventory lists be maintained independently of the trade supervisors.	Yes	
5	We recommend a system report of new tool purchases be periodically generated and used to update the inventory lists.	Yes	
6	We also recommend consideration be given for maintaining the tool inventories in the electronic maintenance management system in order to provide a more controlled method for documenting and tracking the inventory.	Yes	
7	We recommend a standard inventory list be created and utilized.	Yes	

TOOLS AND SUPPLIES INVENTORY (continued)

8	We recommend the list include the trade shop, vehicle, or name of employee the inventory was issued to, serial number of the equipment if available, number of items on hand, purchase price if available, and the date the inventory was most recently updated.	Yes	
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SUPPLIES

9	We recommend FMS continue to pursue a centralized function for its supply inventories, including bringing all such inventories into the electronic maintenance management system.	No	December, 2016
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OTHER

10	We recommend supply purchases be recorded on work orders in the electronic maintenance management system to ensure an accurate account of materials.	Yes	
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RECHARGE

11	We recommend such activity be recorded in the department's established insurance recovery account.	Yes	
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12	We recommend recharge activities be assessed by using the approved labor rates and cost of materials, as required.	Yes	
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13	We also recommend the UNR Recharge Center Policies and Procedures be reviewed with staff involved in the recharge process, including trade supervisors and employees who may provide quotations to customers, as well as those involved in the review, approval, processing and payment of recharge activities.	Yes	
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14	We recommend FMS complete the process of identifying and documenting the relevant criteria that are used to determine recharge activity.	Yes	
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15	We recommend the remaining funds from these transactions be transferred to an appropriate account.	Yes	
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DEFENSIVE DRIVING COURSES

16	For items one and two, we recommend employees complete defensive driving and refresher courses, as required.	Yes	
17	We also recommend FMS take greater care in reviewing employee driving records to ensure those that have not completed the courses are notified to do so in a timely manner.	Yes	

CASH CONTROLS

18	We recommend funds be deposited in accordance with university policy.	Yes	
19	We recommend source documents from the vendor be maintained as required.	Yes	
20	We recommend vendors be requested to make checks payable to the Board of Regents, as required.	Yes	

EXPENDITURES

21	We recommend greater care be taken to ensure insurance coverage is active for the duration of the agreement.	Yes	
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LEAVE RECORDS

22	We recommend the employees' leave records be corrected.	Yes	
23	We recommend leave be approved in accordance with established policies.	Yes	

OTHER - RESPONSIBILITY OF THE PLANNING, BUDGET AND ANALYSIS OFFICE

SELF-SUPPORTING BUDGETS

24	We recommend greater care be taken to ensure self-supporting accounts and revisions to self-supporting accounts are reported in accordance with board policy.	Yes	
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