

UNIVERSITY OF NEVADA, RENO
FLEISCHMANN PLANETARIUM
Internal Audit Report
July 1, 2014 through June 30, 2015

GENERAL OVERVIEW

The Fleischmann Planetarium and Science Center (Center) was established in 1963 on the University of Nevada, Reno (UNR) campus. The Center is open to the public and serves an estimated 50,000 visitors per year. It offers a variety of science and planetarium shows in a domed theater, field trips and educational outreach in earth and space science, and observatory viewing at the university's Redfield campus. The Center's building is listed on the National Register of Historic Buildings.

The Center is one of several functions that falls administratively under the College of Extended Studies at UNR. The Center is primarily a self-supporting function and relies on revenue generated from school field trips and show and merchandise sales. The Center receives a smaller amount of funding from gifts and federal grants. During fiscal year 2014-15, the Center employed three full-time employees and approximately 17 student workers and had an operating budget of about \$235,000.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Fleischmann Planetarium and Science Center at the University of Nevada, Reno for the period of July 1, 2014 through June 30, 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 controls over the receipt and deposit of funds received from the Center's business activities.
2. Testing expenditures for reasonableness, supporting documentation, and proper approval.
3. Reviewing contracts for proper completion and approval.
4. Reviewing indirect cost rate calculations, expenditures, and reporting requirements related to grants received by the Center.
5. Examining equipment for proper accountability.

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

CASH CONTROLS

Center personnel collect payments from business activities including the sale of store merchandise, show tickets, and school field trips. We examined the procedures for collecting, storing, and depositing receipts and noted the following exceptions.

1. The Center employs a number of part-time student cashiers. During the audit period, we noted that multiple cashiers used the same cash drawer during the day without the drawer being reconciled between users. University policy requires cash drawers to be reconciled at the end of each shift or whenever the cashier changes.

We also noted a lack of segregation of duties in that one employee was responsible for preparing the daily deposit, reconciling the deposit amount to the cash register report, and delivering the deposit to the Cashier's Office. No other person was involved in this process or reviewed the deposit transactions.

It should be noted that after the audit period, the Center's cash handling procedures were revised such that each cashier is now required to count down their drawer at shift end and reconcile the receipts collected to the cash register sales report, in accordance with university policy. Each cashier is also required to record the amount of receipts on a form, sign and date the form, and place receipts for deposit in a bank bag. In addition, we were informed the Center Director, who is independent from the person preparing the daily deposit, began reconciling the deposits that are posted to the financial accounting system to the cash register sales report. It was noted, however, that the reconciliations are not documented to demonstrate they were performed. We also noted the Center's written procedures have not been updated with the revised cash handling and deposit procedures.

We recommend the revised cash handling and deposit procedures continue to be performed and that the Center's documented procedures be updated to include the revisions. We also recommend that the cash register sales report and other deposit records used in the reconciliation be signed and dated by the director and maintained to provide support that the review was performed.

Institution Response

Fleischmann Planetarium agrees with the audit finding and recommendation.

- **How compliance was achieved. The policies and procedures have been updated. Fleischmann Planetarium will continue to operate with revised procedures and train new employees with updated policies as noted above. The planetarium director will continue to reconcile the Point of Sale (POS) system sales reports and financial accounting system on a monthly basis. The director reviews, initials, and dates a hardcopy of the report and it is kept on file in the director's office.**
- **What will be done to avoid the identified problems and issues in the future? Fleishmann Planetarium will continue to operate with the revised procedures and train all new employees with updated policies.**
- **How compliance and future good management and practice will be measured, monitored and assured. The director and staff of Fleischmann Planetarium will**

work with the financial officers of Extended Studies to measure, monitor, and insure compliance.

- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The director of Fleischmann Planetarium will be responsible for continued compliance, and may be held accountable if repeat or similar problems arise.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. Revised cash handling processes have been documented and are now being used.**
- **How compliance and performance will be documented for future audit, management and performance review. Revised policy and procedure documents are accessible at the front desk and administrative offices of Fleischmann Planetarium; documentation of deposits and reconciliations will be filed securely in the planetarium administrative office according to university policy; and documentation of the monthly reconciliation by the director will be kept in secure files in the director's office.**

2. During this review, we noted cash receipts are not placed in tamper proof bags for delivery to the Cashier's Office. University policy states tamper proof bags must be used when multiple cashiers operate from a single cash register.

We recommend that cashiers place receipts for deposit in tamper proof bank bags.

Institution Response

Fleischmann Planetarium agrees with the audit finding and recommendation.

- **How compliance was achieved. Tamper proof bags have been used for deposits beginning August 2015.**
- **What will be done to avoid the identified problems and issues in the future? Fleischmann Planetarium staff will continue to use tamper proof bank bags for deposits.**
- **How compliance and future good management and practice will be measured, monitored and assured. Fleischmann Planetarium will continue to work with the Controller's Office for guidance on deposit procedures.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The director of Fleischmann Planetarium has the responsibility for insuring that deposits are made according to university guidelines 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. Tamper proof bags were implemented for deposits beginning August 2015.**
- **How compliance and performance will be documented for future audit, management and performance review. Tear-off identification for individual deposit**

bags are kept on file with accompanying deposit slip copies and maintained in the planetarium administrative office.

3. Void and return transactions are identified on the cash register sales reports, however, we were informed they are not reviewed or tracked by management.

We recommend void and return transactions be monitored and reviewed by management on a consistent basis. We also recommend the ability to perform void and return transactions be restricted to those employees who perform cashiering functions.

Institution Response

Fleischmann Planetarium agrees with the audit finding and recommendation.

- **How compliance was achieved. The director of Fleischmann Planetarium created a new procedure to log void and return transactions that requires time, date, explanation, and signature of responsible cashier. Void and return transaction reports are generated and reviewed during the daily deposit preparation. The director reviews the reports monthly. Updated policies were incorporated into the employee handbook and administrative manual documents.**
- **What will be done to avoid the identified problems and issues in the future? Fleischmann Planetarium staff will continue to use the new procedure for monitoring and reviewing void and return transactions in the future.**
- **How compliance and future good management and practice will be measured, monitored and assured. Fleischmann Planetarium staff will review daily void and return logs on a daily basis and the director will review compiled reports on a monthly basis.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The director of Fleischmann Planetarium will be responsible for insuring staff follow updated polices for monitoring void and return transactions, and may be held accountable if repeat or similar problems arise.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures have been implemented beginning October 2015 and all new employees will be trained in the revised policy and updated procedures in the future.**
- **How compliance and performance will be documented for future audit, management and performance review. Log sheets of void and return transactions will be reviewed and signed during the daily deposit preparation. The director reviews the reports monthly. All sales records are kept securely on the Point of Sale system, backed up nightly, and available for future audit, management, and performance review.**

4. Six of 11 deposits tested were not delivered to the Cashier's Office in a timely manner.

University policy requires deposits in excess of \$500 to be deposited within 24 hours of receipt and lesser amounts within 72 hours. We noted these requirements are not addressed in the Center's procedures manual.

We recommend greater care be taken to ensure receipts are processed and deposited in a timely manner. We also recommend the Center's procedures manual be updated to address the timeframes for making deposits.

Institution Response

Fleischmann Planetarium agrees with the audit finding and recommendation.

- **How compliance was achieved. The director of Fleischmann Planetarium reiterated the policy to administrative staff during the audit period. The procedures manual now includes university policy.**
- **What will be done to avoid the identified problems and issues in the future? Director will insure deposits are made within 24 hours for amounts over \$500 and within 72 hours for lesser amounts.**
- **How compliance and future good management and practice will be measured, monitored and assured.
The director will review deposits regularly to measure, monitor, and assure future compliance and good management practice.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The director of Fleischmann Planetarium will be responsible for assuring that deposits are made according to university policy, and will be accountable for insuring all staff are aware of and trained in correct procedures and that the center adheres to university policy for deposits.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. All appropriate measures have been implemented as of July 2015.**
- **How compliance and performance will be documented for future audit, management and performance review.
Receipts from the Cashier's Office will be kept with the daily deposit to document compliance and performance.**

5. The change fund that is used in the Center's cash register was established by withholding a portion of cash received from business operations. University policy requires cash funds to be established through the Controller's Office for proper recording in the university's financial records.

We recommend a new change fund be requested from the Controller's Office, as required, and that the current change fund be deposited at the Cashier's Office.

Institution Response

Fleischmann Planetarium agrees with the audit finding and recommendation.

- **How compliance was achieved. The director of Fleischmann Planetarium requested a new change fund from the Controller's Office according to university procedure, and the previous change fund was deposited correctly as revenue.**
- **What will be done to avoid the identified problems and issues in the future? The director of the planetarium is the custodian of the change fund, which is confirmed annually with the Controller's Office.**
- **How compliance and future good management and practice will be measured, monitored and assured. The director of the planetarium will continue to serve as custodian of the change fund. In the event of separation, the custodian of the change fund will return it to the Cashier's Office and a new custodian will be designated.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The director is the documented custodian for the change fund used at the planetarium and is responsible and accountable for it.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. A new change fund was set up in December 2015 and confirmation of the change fund is reported annually to the Controller's Office.**
- **How compliance and performance will be documented for future audit, management and performance review. The change fund is confirmed and documented in writing with the Controller's Office on an annual basis.**

CONTRACTS

We reviewed a total of two Center agreements for proper completion and adherence to the Nevada System of Higher Education (NSHE) contract policies. We noted one of the agreements was not signed by the contracting party. During the audit, the contract was signed by the contracting party but this occurred well after the agreement went into effect. The second agreement, involving film royalties paid by the Center, was not signed by either the university or the contracting party.

We recommend the second agreement be signed by both parties. In the future, we recommend that greater care be taken to ensure contracts are fully executed at the time they are

negotiated.

Institution Response

Fleischmann Planetarium agrees with the audit finding and recommendation.

- **How compliance was achieved. For the first contract, a fully executed copy was obtained in September 2015 and is on file in the planetarium administration office. For the second contract in question, a new contract was prepared and was fully executed in January 2016.**
- **What will be done to avoid the identified problems and issues in the future? Contracts will be routed for approval appropriately with the guidance of the Business and Finance Office.**
- **How compliance and future good management and practice will be measured, monitored and assured. The director will request guidance from the Business and Finance Office on all future contracts.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise. The director of the planetarium is responsible for assuring adherence to university policy for all contracts involving the planetarium, and is accountable for potential problems in the future.**
- **When the measures will be taken and on what schedule compliance and good practice will be secured. A new contract was fully executed in January 2016.**
- **How compliance and performance will be documented for future audit, management and performance review. Copies of approved contracts signed by all parties will be kept on file in the planetarium administration office.**

PRIOR AUDIT

The prior audit of UNR Fleischmann Planetarium and Science Center was conducted for the period of July 1, 1998 through June 30, 1999. All recommendations from the prior audit have been implemented, are no longer applicable, or have been addressed in this audit.

STATEMENT OF REVENUES AND EXPENDITURES

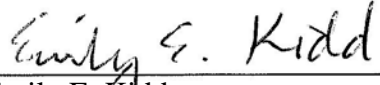
The statement of revenues and expenditures provided below is based on the activity of the Center's two self-supporting, one gift, and four grant accounts. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

| | Self-Supporting Accounts | Gift Accounts | Grant Accounts | |
|---------------------------------|-----------------------------|------------------|----------------------|-------------------|
| Balance July 1, 2014 | <u>\$ 5,136</u> | <u>\$ 87,260</u> | <u>\$ 0</u> | <u>\$ 92,396</u> |
| Revenues | | | | |
| Sales of Educational Activities | 182,755 | - | - | \$ 182,755 |
| Indirect Cost | 665 | - | - | \$ 665 |
| Federal Grants & Contracts | - | - | 29,285 | \$ 29,285 |
| Private Gifts | 279 | - | - | \$ 279 |
| Gifts | - | 51,833 | - | \$ 51,833 |
| Endowment Income Unrestricted | <u>\$ 50,614</u> | <u>-</u> | <u>-</u> | <u>\$ 50,614</u> |
| Total Revenues | <u>\$ 234,313</u> | <u>\$ 51,833</u> | <u>\$ 29,285</u> | <u>\$ 315,431</u> |
| Transfers Out | <u>\$ 189</u> | <u>-</u> | <u>-</u> | <u>\$ 189</u> |
| Expenditures | | | | |
| Salaries | 197,499 | 25,448 | 12,536 | \$ 235,483 |
| Travel | 902 | - | 1,727 | \$ 2,629 |
| Operations | 39,110 | 30,638 | 13,427 | \$ 83,175 |
| Participant Support | 24 | - | 11,155 | \$ 11,155 |
| Indirect Cost | <u>-</u> | <u>-</u> | <u>8,566</u> | <u>\$ 8,566</u> |
| Total Expenditures | <u>\$ 237,535</u> | <u>\$ 56,086</u> | <u>\$ 47,411</u> | <u>\$ 341,008</u> |
| Balance June 30, 2015 | <u>\$ 1,725</u> | <u>\$ 83,007</u> | <u>\$ (18,126) 1</u> | <u>\$ 66,606</u> |

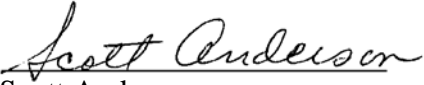
1 - Deficit balance is due to expenditures that were incurred but not reimbursed from the granting agency until fiscal year 2015-16.

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

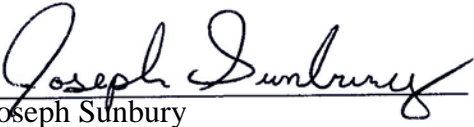
Reno, Nevada
December 10, 2015



Emily E. Kidd
Internal Auditor II



Scott Anderson
Internal Audit Manager



Joseph Sunbury
Chief Internal Auditor



Memorandum

To: Joseph Sunbury, NSHE Chief Internal Auditor
From: Tom Judy
Date: January 22, 2016
Subject: Fleischmann Planetarium

The purpose of this memorandum is to transmit the audit response from the College of Extended Studies to the audit of Fleischmann Planetarium for the period July 1, 2014 through June 30, 2015.

I have reviewed and concur with all responses.

cc: Marc Johnson, President
Ronald Zurek, Vice President, Administration and Finance
Fred Holman, Vice Provost, Extended Studies



FLEISCHMANN PLANETARIUM

AUDIT PERIOD July 1, 2014 through June 30, 2015
NUMBER OF RECOMMENDATIONS 10

| # | Recommendation | Implemented | Est. Date of Completion |
|---|----------------|-------------|-------------------------|
|---|----------------|-------------|-------------------------|

CASH CONTROLS

| | | | |
|---|---|-----|--|
| 1 | We recommend the revised cash handling and deposit procedures continue to be performed and that the Center's documented procedures be updated to include the revisions. | Yes | |
| 2 | We also recommend that the cash register sales report and other deposit records used in the reconciliation be signed and dated by the director and maintained to provide support that the review was performed. | Yes | |
| 3 | We recommend that cashiers place receipts for deposit in tamper proof bank bags. | Yes | |
| 4 | We recommend void and return transactions be monitored and reviewed by management on a consistent basis. | Yes | |
| 5 | We also recommend the ability to perform void and return transactions be restricted to those employees who perform cashiering functions. | Yes | |
| 6 | We recommend greater care be taken to ensure receipts are processed in a timely manner. | Yes | |
| 7 | We also recommend the Center's procedures manual be updated to address the timeframes for making deposits. | Yes | |
| 8 | We recommend a new change fund be requested from the Controller's Office, as required, and that current change fund be deposited at the Cashier's Office. | Yes | |

CONTRACTS

| | | | |
|---|--|-----|--|
| 9 | We recommend the second agreement be signed by both parties. | Yes | |
|---|--|-----|--|

| | | | |
|----|--|-----|--|
| 10 | In the future, we recommend that greater care be taken to ensure contracts are fully executed at the time they are negotiated. | Yes | |
|----|--|-----|--|