

NEVADA SYSTEM OF HIGHER EDUCATION  
HOSTING  
Internal Audit Report  
July 1, 2015 through June 30, 2016

GENERAL OVERVIEW

The System Office of the Nevada System of Higher Education (NSHE) is comprised of three units consisting of System Administration, including the Board of Regents staff, System Computing Services (SCS), and the Sponsored Programs Office, also known as EPSCoR. The Board of Regents Handbook requires the NSHE Internal Audit Department to conduct annual reviews of institutional hosting expenditures. The reviews are intended to determine the extent to which institutions, including the System Office, are in compliance with established hosting policies.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of hosting expenditures for the NSHE System Office for the period of July 1, 2015 through June 30, 2016. 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. Examining hosting expenditures for reasonableness, supporting documentation, and signature approval.
2. Verifying hosting transactions were in compliance with the hosting policies provided in the Board of Regents' Handbook and the NSHE Procedures and Guidelines Manual.

In our opinion, hosting expenses are handled in a satisfactory manner; however, implementation of the following recommendations would provide further compliance with established policies.

### HOST EXPENDITURE REVIEW

A sample of 68 hosting expenditures was reviewed. Of these, no material exceptions were noted with 61. The following exceptions were noted with the seven remaining transactions.

1. Two hosting expenditures were incorrectly charged as non-hosting transactions in the financial accounting system. As a result, a Host Expense Documentation and Approval form (host form) was not completed.

We recommend that hosting expenditures be properly identified so these transactions can be documented and approved on a host form.

#### **Institution Response**

- What will be done to avoid the identified problems and issues in the future; **NSHE System Administration concurs with the recommendation and has taken corrective action, and greater care will be taken during the editing, completion and review of expense documents.**
- How compliance and future good management and practice will be measured, monitored and assured; **The items purchased were used as an incentive during the “15 to Finish Champaign.” 12 random students were selected and awarded a \$25 gift card to purchase books. Department personnel made an assumption to use the prizes & awards object, sub-object code, which does not qualify as a hosting expense, therefore a hosting form was not submitted. Mistakenly the same assumption was made during the review process. System Administration (SA) is currently reviewing the hosting policy is currently preparing an internal “how-to –guide” to help clarify items considered to be a hosting expense.**
- Who will be responsible and may be held accountable in the future if repeat or similar problems arise; **Department Vice Chancellor**
- When the measures will be taken and on what schedule compliance and good practice will be secured; **Based on the current hosting policy staff has been notified that food, beverages and gifts are to be considered hosting and a hosting form is required.**
- How compliance and performance will be documented for future audit management and performance review; **as noted above.**

2. On one occasion, a hosting expenditure exceeded the approved amount indicated on the host form by a significant amount. An updated host form was not completed.
3. Three hosting expenditures involved meals provided at Board of Regents meetings. We noted the host forms completed for the transactions did not include the amount. We also noted the hosting expense category to which the expenditures were charged reflect the transactions were “Regents” host expenses rather than “Board of Regents meetings” host expenses. Currently, a hosting expense category does not exist for Board of Regents meetings.
4. On one occasion, a host form was approved by an attendee of the event for which the form was completed instead of by an independent review authority.

For items two through four, we recommend that greater care be taken to ensure host forms and expense documentation are properly completed and approved. We also recommend System Office personnel request a hosting expense category be created, within the financial accounting system, to properly account for meals that are provided at Board of Regents meetings.

### **Institution Response**

- What will be done to avoid the identified problems and issues in the future;  
**NSHE System Administration concurs with the recommendation and has taken corrective action. Greater care will be taken during the preparation, review and process of all hosting and expense documents. While not a hosting expense in the traditional sense, for tracking purposes a new expense category has been created to accurately capture Board of Regent meeting food and beverage expenses.**
- How compliance and future good management and practice will be measured, monitored and assured; **Although verbal and written direction was stated, the written approval was not documented and the hosting form was submitted without an authorized signature. Department personnel have been advised to fill out the hosting form properly and completely. And an authorized signature is required**

- Who will be responsible and may be held accountable in the future if repeat or similar problems arise; **Department Vice Chancellor.**
- When the measures will be taken and on what schedule compliance and good practice will be secured; **Implemented, greater care will be taken as documents are reviewed.**
- How compliance and performance will be documented for future audit management and performance review; **As noted above.**

### PRIOR AUDIT

The prior hosting audit for the NSHE System Office was conducted for the period of July 1, 2007 through June 30, 2008. All recommendations from the prior audit have been implemented, are no longer applicable, or have been addressed in this report.

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

Reno, Nevada  
December 12, 2016

/-----SIGNATURE ON FILE-----/  
Stefania Pacheco  
Internal Auditor II

/-----SIGNATURE ON FILE-----/  
Scott Anderson  
Internal Audit Manager

/-----SIGNATURE ON FILE-----/  
Joseph Sunbury  
Chief Internal Auditor