

Title 4 - Codification of Board Policy Statements

Chapter 9

**NEVADA SYSTEM OF HIGHER EDUCATION
INTERNAL AUDIT, FINANCE AND ADMINISTRATION POLICIES**

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A. Internal Audit Department Charter

Section 1. Nature

The Internal Audit Department is established as an independent and objective assurance and consulting activity within the Nevada System of Higher Education (NSHE) for the review of operations as a service to management. It assists the NSHE in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organizations risk management, control and governance processes.
(B/R 3/14)

Section 2. Mission Objective and Scope

The Mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The objective of the Internal Audit Department is to assist all levels of the NSHE management in the effective discharge of their responsibilities, by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The Internal Audit Department is concerned with any phase of activity where it can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. The attainment of this overall objective involves such activities as:

1. Reviewing and appraising the soundness, adequacy, and efficient application of accounting, financial, and operational controls at executive and staff levels.
2. Ascertaining the extent of compliance with established policies, plans, and procedures.
3. Determining whether significant risks appropriately identified and managed.
4. Ascertaining the reliability of management data developed and reported within the NSHE.
5. Recommending appropriate improvements in internal accounting and operations where controls have been found to be malfunctioning, inefficient, or where controls should be instituted and none exist. Appraising the effectiveness of procedures, as modified, to ensure that deficiencies are satisfactorily resolved.
6. Recommending appropriate improvements to systems, processes and organizational structures to provide accurate, timely and reliable financial and operational information.
7. Fostering quality and continuous improvement in NSHE's risk management and control processes. Reporting the results of examinations in a timely manner and reviewing the timeliness of corrective actions.
8. Confirming information technology and data governance supports NSHE's strategies and objectives.
9. Ascertaining whether information security practices adequately safeguard the NSHE data assets and comply with applicable policies and regulations.

10. Sharing information and coordinating activities with other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
 11. Designing, installing, and operating systems are not audit functions; however, the internal auditor's objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented.
- (B/R 12/16)

Section 3. Authority and Responsibility

The internal audit activity is established by the Board of Regents. The internal audit activity's responsibilities are defined by the Board as part of its oversight role. The Internal Audit Department is provided with authority for full access to all of the NSHE records, properties, and personnel relevant to the subject of review. The Department is free to review and appraise policies, plans, procedures, and records.

The responsibilities of the Department are as follows:

1. Develop a sophisticated internal audit program that will include evaluation of the effectiveness of financial and related operational controls and review of compliance by NSHE personnel with NSHE policies and procedures.
2. Maintain the capacity to:
 - a. Perform audits to independently assess governance, risk management and control processes throughout the NSHE.
 - b. Provide consulting services, with the mutual agreement of the "client", to improve the NSHE governance, risk management and control processes.
 - c. Investigate, as necessary, allegations of improper activities including fraud, misuse of university resources, and unethical behavior or actions.
3. Periodically measure and continually improve the efficiency of internal audit activity by means of a quality control program, effective use of technology, and proactive performance management. Institute appropriate budgetary and cost control over the auditing program.
4. Institute controls to ensure that audit findings have been reviewed with the management responsible for operations of the functions examined; see that findings are presented to management at various levels so as to motivate corrective actions; and arrange for the development of appropriate comments and recommendations for inclusion in periodic condensed reports to be presented to the Board of Regents' Audit Committee.
5. Make available to the independent public accountants working papers, copies of audit reports, and pertinent analyses to aid them in determining the scope of their examination. Inform the independent public accountants and other outside audit agencies of the internal audit schedule to avoid duplication of effort and to maximize the benefits of the total investment in audit activities.

6. Maintain a staff with the skills, experience and professional certifications to meet the Department's scope of responsibilities and aligned with the NSHE's risks.
7. Recommend changes to policy or required practices to sustain an effective balance between the magnitude of risk, the materiality of failed control, and the cost of compliance.
8. The internal audit activity will govern itself by adherence to appropriate internal auditing standards including, but not limited to, The Institute of Internal Auditors' Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing).
9. Coordinate all activities of the Department with others so as to best achieve the audit objectives and the objectives of the NSHE, including spreading adoption of effective practices and consideration of trends and emerging issues that could impact the NSHE.

In performing its functions, the Internal Audit Department has neither direct responsibility for, nor authority over, any of the activities that are reviewed. Therefore, the review and appraisal activity does not in any way relieve other persons in the organization of the responsibilities assigned to them.

(B/R 12/16)

Section 4. Independence

In order to maintain independence from the System Administration and maximize public accountability, the Chief Internal Auditor reports to the Audit Committee of the Board of Regents for primary oversight and general direction. The Chief Internal Auditor also has a secondary reporting relationship to the Vice Chancellor for Budget and Finance for day-to-day supervision, technical direction, and personal performance evaluation. In order to maintain objectivity, the Internal Audit Department will not undertake to develop and install procedures, prepare records, or engage in any other activity that it would normally review and appraise, and that could reasonably be construed to compromise its independence. Objectivity shall not be adversely affected by the recommendation of the standards of control to be applied in the development of systems and procedures under review.

Where the Internal Audit Department is expected to have roles or responsibilities that fall outside of internal auditing, safeguards will be in place to limit impairments to independence or objectivity. The Internal Audit Department may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to an engagement.

(B/R 12/16)

Section 5. Audit Requests

The Chief Internal Auditor may determine during the year that an unscheduled audit should be performed. The Chief Internal Auditor will inform the Audit Committee Chair of special audits.

The Chair of the Audit Committee may request an audit be performed based upon specific information provided to the Chief Internal Auditor. If the Chief Internal Auditor is in agreement that the audit should be performed, the audit will be added to the audit schedule. If the Chief Internal Auditor is not in agreement that the audit should be performed, the Audit Committee chair may place the item on the next Audit Committee agenda for review and action by the Audit Committee.

Any member of the Board of Regents may request that the Audit Committee chair place a request for an audit on the Audit Committee agenda. The Chief Internal Auditor will make a recommendation to the Audit Committee regarding the audit request.

The policy of the Audit Committee is to only perform special audits based on specific factual information and assessment of risk that would justify an audit.
(B/R 3/14)

Section 6. Internal Audit Plan

Annually, the Chief Internal Auditor will submit to the Chancellor and the Board an internal audit plan for review and approval. Any significant deviation from the approved plan will be communicated to senior management and the Audit Committee. Progress against the approved plan will be communicated to senior management and the Audit Committee at least every six months.
(B/R 12/16)

Section 7. Reporting and Monitoring

A written report will be prepared and issued by the Chief Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results and institution responses will be communicated to the Audit Committee.
(B/R 3/14)

Section 8. Periodic Assessment

The NSHE Chief Internal Auditor will communicate to the Chancellor and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of external assessments conducted at least every five years.
(B/R 3/14)

Section 9. Institution Audit Response Requirements

1. Time Period for Response. In response to audit findings, institutions at times must adopt new institution policies or amend existing institution policies to address the issues identified in the audit. The adoption of new policies or amendment of existing policies in response to an audit finding must be completed within 150 calendar days after the audit and institutional response have been discussed at a Board of Regents Audit Committee meeting.

2. Expedited Procedure and Consultation with Faculty Senate. Each institution shall develop a procedure for the expedited adoption of new policy and for the amendment of existing policy to comply with the 150 calendar day requirement set forth above. The institution procedure must include an expedited process for consultation with the Faculty Senate.

(B/R 9/15)

B. Finance and Administration Charter

Section 1. Objectives and Scope

1. Finance and Administration is a part of System Administration. The Chancellor, as Chief Executive Officer and Treasurer of the NSHE, has delegated certain of the financial duties of his or her office, as prescribed by the Board of Regents at Article VII, Section 3, of the By-Laws, to the Vice Chancellor for Finance and Administration. The Senior Budget Officer and Director for Banking and Investments for the NSHE report to the Vice Chancellor for Finance and Administration.
2. While the primary financial accounting and control functions are maintained at the institutional level, the System through the Vice Chancellor for Finance and Administration is responsible for the accurate and timely development and reporting of financial information. The System will ensure the adherence of the institutions to the most recent national financial accounting standards and support continuing internal and external audit reviews of programs and funding.

(B/R 10/96)

Section 2. Budget Director: Authority and Responsibility

Reporting to the Vice Chancellor for Finance and Administration, the NSHE Senior Budget Officer is provided with the authority and responsibility for establishing policies and procedures under which the budgetary administration will be conducted.

The NSHE Senior Budget Officer's specific duties will include, but not be limited to, the following:

1. PROMOTE AND COORDINATE INTEGRATED NSHE FINANCIAL PLANNING

Working with institutional officers, coordinates and assists in the development of a system-wide financial planning process.

- Serves on appropriate committees, coordinates development of the database for planning, and maintains communication with and assures cooperation between all institutional budgetary officials.

2. ASSURES PROPER AND TIMELY BUDGET DEVELOPMENT

Coordinates and develops system-wide budget development policy, procedure, and budget calendar.

- Budget Policy and Procedures
Develops and maintains the system-wide budget policy and procedures section of the *University of Nevada Policy and Procedure Manual* for financial accounting.
- Budget Calendar
Develops and communicates the budget calendar and monitors adherence to calendar deadlines.

- Budget Preparation
Reviews all budget preparation documents to assure consistency and adherence to State standards. Prepares combined budget request for submittal to State of Nevada officials.

3. PROMOTES COORDINATION AND COMMUNICATION WITH STATE OF NEVADA

Promotes coordination and communication with Governor's Office and Legislature concerning budgetary matters.

- Serves as a budget advisor to institutional officials regarding state budget requirements and provides budgetary expertise during budgetary sessions.
- Establishes with State of Nevada budgetary officials a good working relationship and lines of communication.

4. ASSURES EFFICIENT AND EFFECTIVE BUDGET CONTROL

Coordinates and develops system-wide budget control policy and procedures.

- Develops and maintains system-wide budget control policy and procedures.
- Assures budget revisions and other actions are in accordance with Board of Regents and State policies.
- Reviews financial accounting information and system to insure system provides adequate budgetary control and timely and relevant information.

5. PROVIDE TIMELY BUDGET EVALUATION

Provides budgetary evaluation and assessment to Board of Regents and institutional officers for future NSHE planning.

- Performs post performance review which involves critical analysis of institutional budgets, both quarterly and annually, focusing on the following elements:
 1. Budget versus actual expenditures and revenues.
 2. Identify variances and reasons for variances.
 3. Recommend corrective actions where potential problems are identified.
 4. Inform the Board of Regents of any exceptions that require discussion and further monitoring.
- The institutional business officers will comprise a review committee chaired by the Vice Chancellor for Finance and Administration and charged to analyze and advise the Chancellor and other institutional officials on fiscal issues highlighted through the quarterly analysis of budgets.

(B/R 1/95)

Section 3. NSHE Director of Banking and Investments

1. The Director of Banking and Investments for the NSHE is charged with the oversight of a system-wide cash management program and the Board of Regents' Permanent Endowment Funds. Included in the responsibilities are consolidation of the NSHE cash resources, bank relationships, and the placement of cash balances with investment managers in accordance with the Board of Regents operating fund investment policy. A primary responsibility of the Director of Banking and Investments is to preserve the liquidity and safeguard the principal of operating cash while enforcing the Board of Regents Operating Fund Investment Policies. The director will establish a process to assess the performance of investments relative to appropriate standards in both the operating and endowment funds.
2. Operating cash fund investment income is distributed to the institutions based on their respective daily cash balances. The Director of Banking and Investments therefore has responsibility for maintaining accountability for all cash balances so that each institution receives its share of the investment income. However, the institutions remain responsible for identifying their respective cash balances with the identifiable fund groups for the purpose of complying with State and federal Law requiring the distribution of investment income to these funds.
3. All investments of the Board of Regents are required to be held by one or more custodial banks. The Director of Banking and Investments reconciles and accounts for investment assets held by the Board of Regents' custodial bank that includes operating and endowment fund investments. Enforcement of donor restrictions is a matter of trust law and therefore permanent records of all Board of Regents Endowment Fund gifts must be preserved for posterity by the Office of the Director of Banking and Investment.
4. The Director of Banking and Investments assumes responsibility for custody of bond files and reporting restrictive covenants. The NSHE debt policy guidelines covering institutional loans, bonds, leases, and other debt will be administered through the Banking and Investment Office.
5. Title 4, Chapter 10, Sections 5 and 6 define the operating and endowment funds policies and procedures that are monitored by the director of Banking and Investments under the direction/oversight of the Investment and Facilities Committee of the Board of Regents.
(B/R 2/05)

C. Financial Policies: Operating Budgets

Section 1. Authority

1. The Board of Regents shall approve annual and biennial state and self-supporting budgets, including associated registration fees, tuition rates, and student fees. They will review budget recommendations made by the Business and Finance Committee. Once the budget is approved, responsibility and authority for all adjustments is delegated as indicated in the following sections.

2. The Board of Regents delegates to its Business and Finance Committee responsibility and authority for:
 - a. Initial review and endorsement to the Board of proposed annual and biennial state and self-supporting budgets, including assessment of Board priorities, student and state revenue, enrollments, and other key components as defined through Board and gubernatorial guidelines, and
 - b. Year-end review of major current year budget revisions and/or transfers, including use of reserves (*unappropriated fund balances*) and excess income over budget.
3. The Board of Regents delegates to the Chancellor responsibility and authority for oversight and management of funds and other resources in accordance with policies stated below – including approval of transfers among funds and budget adjustments within specified parameters. Further, the Chancellor is charged with preparing documents in an appropriate and timely manner that require committee review and/or approval.
4. The Chancellor, in turn, delegates to the President of each System institution responsibility and authority for:
 - a. Ensuring that units function with proper internal control procedures such that all budgets remain balanced and within authorized limits;
 - b. Ensuring that any and all transactions requiring higher level review and/or approval are identified and forwarded in an appropriate and timely manner; and
 - c. Ensuring explanations and documentation of authorized adjustments, transfers, and/or revenue/expense patterns be provided in an appropriate and timely manner to officials for reporting purposes.

(B/R 9/09)

Section 2. Financial Policies

1. Uniform Accounting Policies and Procedures
 - a. The NSHE institutions will implement uniform accounting and administrative policies and procedures as defined by the NSHE. Revisions to the policies and procedures will be considered by all institutions through the Business Officers Council to the Presidents' Council for recommendation to the Chancellor.
 - b. Definitions for all reporting categories will be in accordance with the nationally accepted National Association of College and University Business Officers (*NACUBO*) classification system. Policies concerning review and approval of annual operating budget adjustments are applicable to and will vary within each of the three primary groupings (1) State Operating Budget; (2) Self-Supporting Budgets, and (3) other funds, consisting primarily of federal grants and contracts.

2. Reporting

Consistent and uniform quarterly reporting of financial activity is an obligation of the System units to the Chancellor's office. Reporting of exceptions to the Business and Finance Committee will be determined by the Chancellor.

3. Self-Supporting Budget Review

All self-supporting budgets exceeding \$25,000 of projected annual expenditure activity will be included in the annual budget process. Fund transfers will not be included in determining whether a self-supporting budget meets the \$25,000 threshold for inclusion in the annual budget process. Excluded from this requirement are grants and contracts and plant, loan, endowment and scholarship funds.

4. Budget Revisions

- a. The principle governing the review and approval structure for budget revision shall be that the Chancellor and President of each System institution have authority and responsibility for proper and effective management, thereby enabling and enhancing efficient utilization of institutional resources.
- b. Revisions of self-supporting budgets, excluding revisions between object codes, exceeding twenty-five percent of expenditures for budgets up to \$400,000; or revisions of \$100,000 or greater for budgets exceeding \$400,000 must be approved by the System administration. Institutions must provide plans regarding:
 1. The impacts of the revisions on the affected programs, particularly noting how reductions in personnel and operating expenses will be accommodated for the remainder of the fiscal year; and
 2. What the fiscal and program implications are for subsequent years. The Chancellor will submit to the Board of Regents an annual report detailing the number and type of revisions by institutions that were approved by the System.

5. Transfers

- a. The transfer of expenses from non-state to state budgets after May 1 must be approved by the institution President with appropriate supporting justification and reported in an annual summary to the Board of Regents.
- b. The Presidents have authority to transfer funds into or out of each budget subject to policy guidelines of Title 4, Chapter 9(c), Section 2, Subsections 4 and 10, and state appropriation restrictions.
- c. Budget transfers between functions of more than \$100,000 of State Appropriated or Self-Supporting Budget Funds must be reviewed/approved by System Administration. A quarterly report will be provided to the Board of Regents.

6. Use of Instructional Funds

Each NSHE institution that provides student instruction and derives instructional funding through the State-Operating Budget must utilize those resources to the greatest extent possible in support of student credit-based instruction. The use of instruction funds for non-instructional purposes must be certified by the institution's President and approved by the Chancellor and Board of Regents prior to budgetary commitment. Approval should be only under the most unusual conditions.

7. Scholarship Function

Amounts budgeted by each NSHE institution in the scholarship function shall be approved annually by the Board of Regents as part of the institution's operating budget; provided, however, that in the event that the amount budgeted by the institution is less than the amount funded by the Nevada State Legislature in the scholarship function such amount shall be considered separately by the Board and shall be accompanied by the President's justification for such variance. This provision does not preclude an institution from augmenting the budgeted amounts of the Scholarship function. Any supplemental amounts transferred into the Scholarship function are not subject to the student access guidelines established in Title 4, Chapter 18, and may be reallocated to other functions without restriction.

8. Overrides

The controller or equivalent official at each NSHE institution is responsible for the control of override activities within their financial organizations. Overrides of financial transactions are restricted to the controller and those who report directly to the controller. Authority for other personnel can be given on a case-by-case basis. All "level five" financial overrides will be monitored through a System override report. Payroll entries will be monitored on an after-the-fact-basis. Exceptions in specific grant and contracts accounts and non-state budgets may be approved by System Administration.

9. Reconciliation of Bank Accounts

Each NSHE institution must have documented procedures detailing the processes regarding reconciliation of bank accounts. Bank reconciliations must be completed and submitted to the Office of Banking and Investments within sixty days of the close of the month.

10. Account Control

Each institution should review annually all budget accounts and eliminate those that have been inactive for an extended period of time and where it is unlikely that they will have any future activity. Consolidation of similar accounts should be undertaken to reduce further the number of overlapping and unnecessary accounts. The Board of Regents will review annually a report of the number of accounts that are consolidated or eliminated by institution.

11. Budget to Actual Report

The System Administration will develop annually a report that compares the original budget to actual revenues and expenditures for Self-Supporting Budgets as defined under Policy 3 the review will include all self-supporting budgets that exceed annually \$25,000 in projected annual expenditure activity. The report will summarize and highlight those activities that vary from the original budget by \$25,000.

12. Capitalization Threshold

Capital equipment is defined as those items exceeding a \$5,000 expense threshold and having a useful life of greater than one year.

(B/R 9/13)

Section 3. NSHE Financial Committees

The Business Officers Council, comprised of the chief business officers of each NSHE unit, will assess the System financial controls on a regular basis. The Business Officers Council will receive periodically recommendations from a system-wide Controller's Committee and Budget Officers Committee concerning alternatives in improving financial controls.

(B/R 4/97)

D. Fiscal Impact Policy

1. Before any proposal before the Board of Regents or any of its committees may be acted upon, a fiscal impact statement must be provided if the proposal is likely to increase any fiscal cost or reduce any revenue to the System in excess of \$25,000 per fiscal year. The fiscal impact statement must be prepared by the institution making the proposal or by System Administration for its proposals or those of the members of the Board of Regents. The fiscal impact statement must be factual and concise in nature and must provide a reliable estimate of the financial effect of the proposal in the current fiscal period as well as future fiscal years.

(B/R 11/00)