

NEVADA STATE UNIVERSITY  
FACILITIES CONTRACT  
Internal Audit Report  
July 1, 2022 through March 31, 2025

GENERAL OVERVIEW

Nevada State University (NSU) has entered into an agreement with an outside contractor to perform facility maintenance services for the university. These services include custodial and grounds services, elevator and fire system maintenance, water treatment and waste management, HVAC services, preventative maintenance and the operation of the on-campus shuttle service. A Request for Proposal (RFP) was initiated in Fall 2021 by NSU with the assistance of the University of Nevada, Las Vegas, Purchasing and Contracts Department. The contract includes basic repairs and maintenance up to a threshold of \$3,000 at which point larger repairs over the threshold are to be identified by the contractor to allow the university the option of using another vendor or awarding directly to the contractor. The contract has an initial term of five years expiring in 2027 and an aggregate value of \$9,997,538, as well as three mutual renewal options up to an additional total of five years.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the facilities contract at NSU for the period of July 1, 2022 through March 31, 2025.

1. 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.

2. Reviewing the Request for Proposal and the bid selection process to ensure established purchasing policies and procedures were followed.
3. Reviewing the contract to verify that NSHE contract policy was followed and appropriate approvals were obtained.
4. Reviewing monthly payments made to the contractor for compliance with the contract terms and payment schedule.
5. Testing additional payments (a.k.a. expenditures) made to the contractor that were above and below the contracted threshold amount for proper classification, reasonableness, supporting documentation, approval, and compliance with established purchasing policies.
6. Reviewing the reporting requirements of the contract to determine if timely and accurate reports are being submitted by the contractor to NSU as required.

In our opinion, we can be reasonably assured that NSU manages the facilities maintenance services contract in a satisfactory manner. However, implementation of the following recommendations would provide an opportunity to further improve this process.

### EXPENDITURES

We selected 54 transactions for review that were billed by the contractor to NSU at an additional cost during the audit period. This included 22 transactions that were less than the \$3,000 contracted threshold to determine whether the goods or services provided were already included under the contract terms and pricing agreement or were properly classified as outside the scope of the contract and billed appropriately. Alternatively, this also included 31 transactions that exceeded the \$3,000 threshold intended for larger repairs and special projects for which NSU may select another supplier through established purchasing procedures or award

the project directly to the contractor. While the remaining transaction selected for review involved the expansion of contracted shuttle services at an additional cost. Expenditures were also reviewed for supporting documentation, proper approval, reasonableness, and compliance with established purchasing policies. The following exceptions were noted.

1. On 18 occasions, we noted facilities projects did not follow established NSHE and university purchasing policy. Of these, we noted 17 projects were between \$5,000 and \$24,999 requiring at least one written quotation, although none were attached in Workday. On another occasion, we noted one project was billed by the contractor on two separate invoices with an aggregate total of more than \$127,000, thus requiring a formal solicitation processed through the UNLV Purchasing and Contracts Department.

We recommend compliance with established purchasing policy, including obtaining written quotations for competitive threshold requirements and formal solicitations for projects of \$50,000 or greater.

#### **Institution Response**

- **Corrective Action Taken – NSU acknowledges the finding and will ensure compliance with NSHE and university purchasing policies/procedures by requiring the contractor to complete an Invitation to Quote (ITQ) for all projects exceeding the \$3,000 threshold, as stated in the facilities management contract, as well as for projects under \$25,000 when directly awarded to the contractor. Purchasing Refresher training was also recently completed by NSU Campus Infrastructure staff.**
- **Compliance, Measurement, and Documentation – NSU Campus Infrastructure will verify that all required quotations and supporting documentation are attached in Workday prior to approval and will perform periodic reviews to ensure adherence. NSU Campus Infrastructure will coordinate with Purchasing when there are questions that arise with regards to purchasing procedures and guidance.**
- **Responsibility – NSU Campus Infrastructure, is responsible for ensuring proper procurement documentation and compliance with procedures and policies including competitive bidding thresholds.**

### **Follow-up Response:**

**The procedures that were put in place at the time of original response have been implemented. NSU Campus Infrastructure has also had a follow-up meeting with Purchasing and NSU administrative support staff to ensure that everyone understands the new procedures and required documentation.**

2. According to the contract, “All expenses must be pre-approved in writing, be accurate, be itemized, include no mark-up by Contractor, and be substantiated by receipts.” We noted, however, on 38 occasions that a 10% administrative fee was included on the invoice by the contractor. Upon inquiry with NSU Campus Infrastructure staff, we were informed that contrary to the mark-up language included in the contract, the administrative fee was a customary charge. In addition, we were informed that according to the State of Nevada for Public Work Projects, “the costs for changes in the work may be increased to include a fixed mark-up for...General Contractor profit and overhead on sub-contractor work, and profit and overhead on work done by the General Contractor’s own forces.” We noted, however, that none of the projects were classified as a State Public Works Project.

We recommend that NSU Campus Infrastructure Department consult with legal counsel and the UNLV Purchasing and Contracts Department to determine whether the administrative fee is considered a mark-up or is allowable under the contract. Any changes or clarifications regarding this matter should be made in writing and included as an addendum to the contract, if necessary, or maintained in the NSU Campus Infrastructure files.

### **Institution Response**

- **Corrective Action Taken – NSU agrees with the recommendation. NSU Campus Infrastructure will work with Legal and the contractor to complete a contract addendum to address and clarify the administrative fee and mark-**

**up. NSU anticipates that the contract addendum will be completed by December 31, 2025.**

- **Compliance, Measurement, and Documentation – After the addendum is completed, NSU Campus Infrastructure will review all projects and invoices to ensure compliance with the language in the contract addendum.**
- **Responsibility – NSU’s Associate Vice President of Campus Infrastructure is responsible for contractor compliance with the contract and all addendums.**

**Follow-up Response:**

**The procedures that were put in place at the time of original response remain in effect, and a contract amendment addressing the administrative fee and markup has been completed and is in the final stages of execution.**

3. According to the contract, repairs estimated to be more than \$3,000 are to be identified by the contractor in sufficient time to allow NSU the option of selecting another vendor, through established NSHE and university purchasing policy mentioned above, or awarding directly to the contractor. During our review we noted 31 transactions that exceeded the contracted \$3,000 threshold. Of these, we noted 30 were awarded directly to the contractor who subsequently used a third-party/sub-contractor for the parts or repairs. In addition, we noted the contractor then assessed the 10% administrative fee to the total cost. We noted, however, that for 26 of the 30 transactions, the third-party/sub-contractor used was already a registered and approved supplier of the NSHE. Therefore, the cost to the university may have been reduced by using an NSHE approved supplier rather than awarding the project to the contractor.

We recommend that the NSU Campus Infrastructure Department review projects that exceed the contracted \$3,000 threshold to determine the most cost-effective way to complete the project, including consideration of using other NSHE approved suppliers, when feasible.

**Institution Response**

- **Corrective Action Taken – NSU acknowledges the finding and has implemented an internal process to determine whether facilities related projects are in-scope or out-of-scope of the existing maintenance contract. For projects identified as out-of-scope and/or exceeding the \$3,000 threshold, NSU Campus Infrastructure and Purchasing will determine whether it is appropriate to award the project to the outsourced facilities contractor and issue an Invitation to Quote (ITQ) or issue an ITQ to NSHE-approved vendors for competitive pricing.**
- **Compliance, Measurement, and Documentation – NSU Campus Infrastructure will utilize the established internal review process to evaluate all projects exceeding the \$3,000 threshold. Determinations of in-scope or out-of-scope work, along with all ITQ documentation and justification for vendor selection, will be recorded and retained in Workday.**
- **Responsibility – NSU Campus Infrastructure is responsible for conducting and documenting in-scope and out-of-scope determinations, issuing ITQs, and maintaining supporting documentation. In addition, NSU Campus Infrastructure is responsible for following procurement and competitive bidding standards and submitting applicable documentation to Purchasing.**

**Follow-up Response:**

**The procedures established at the time of original response have been fully implemented.**

4. According to the contract, facilities maintenance services are to include “Basic repairs including, but not limited to basic parts/component replacement, repair of equipment, door and window repairs, building repair and maintenance, etc.” up to \$3,000. During our review, we noted nine transactions, including six purchases of supplies and three repairs due to vandalism that were billed to NSU for less than the \$3,000 threshold. Upon inquiry with NSU Campus Infrastructure staff as to whether the supplies and repairs were included in the contract, we were informed that these transactions were determined to be outside the scope of the contract terms and, therefore, billed to NSU separately. We noted, however, there were no criteria included in the contract or additional documentation located in Workday to support how these determinations were made.

In the future, we recommend that contracts for facilities maintenance services include a clause with greater detail on the type of goods or services that would be excluded from the contract terms and therefore billed to the university at an additional cost.

### **Institution Response**

- **Corrective Action Taken – NSU agrees with the finding and has implemented a process to document instances where goods or services are determined to be outside the scope of the facilities maintenance contract through a formal memorandum.**
- **Compliance, Measurement, and Documentation – NSU Campus Infrastructure will work with Legal to ensure that future contract renewals or amendments include clear language defining exclusions from the facilities maintenance contract. Purchasing will continue to assist in facilitating the procurement process, while Legal will review and approve all contract language, clauses, and addenda. All out-of-scope determinations will be documented and retained in Workday.**
- **Responsibility – NSU Campus Infrastructure is responsible for documenting out-of-scope determinations, Legal is responsible for reviewing and approving any language or amendments related to contract exclusions. Purchasing will continue to facilitate the solicitation and procurement process in accordance with NSHE Purchasing Policies.**

### **Follow-up Response:**

**The procedures established at the time of original response have been fully implemented.**

5. During our review we noted 12 charges of overtime wages. We were informed that these charges were incurred as the result of labor required for additional shuttle service or special events not included in the contract. We noted, however, that the calculation for the overtime rate had been modified during the contract term. We were informed by NSU Campus Infrastructure staff that they are in the process of working with the contractor to create a policy detailing the billing of overtime wages. We recommend NSU Campus Infrastructure Department, in consultation with NSU administration and the contractor, develop a method for the billing of overtime wages.

We recommend the agreed upon terms and a rate sheet be approved by both parties and included as an addendum to the contract, if necessary.

**Institution Response**

- **Corrective Action Taken – NSU agrees with the finding and has established a defined overtime wage rate structure for various services provided on campus, including shuttle operations and special events. The rates have been reviewed and agreed upon with the contractor.**
- **Compliance, Measurement, and Documentation – NSU will formalize the approved overtime rates as an addendum to the existing contract to ensure consistent and transparent billing practices. Documentation of overtime charges will be retained in Workday for verification. Campus Infrastructure will review invoices with overtime charges and verify that they are in alignment with the approved overtime rate structure. The invoices will include specific approval by NSU for all overtime charges.**
- **Responsibility – The Associate Vice President of Campus Infrastructure is responsible for monitoring compliance with overtime wage billing practices.**

**Follow-up Response:**

**The procedures established at the time of original response have been fully implemented.**

6. On 23 occasions, we noted that invoices did not contain supporting documentation to substantiate the charges incurred, such as work requisitions, receipts or sub-contractor invoices with a detailed description of the goods or services provided. Upon inquiry with NSU Campus Infrastructure staff, we were provided with additional documentation supporting the invoiced amounts.

We recommend that supporting documentation be included in Workday to ensure expenditure documentation is complete and accurate.

**Institution Response**

- **Corrective Action Taken – NSU agrees with the finding. Campus Infrastructure has implemented and communicated improved procedures to ensure that all supporting documentation, such as work requisitions, receipts, and sub-contractor invoices, are included with each invoice submission.**

- **Compliance, Measurement, and Documentation – Campus Infrastructure Staff are now required to attach all supporting documentation in Workday prior to final approval. Periodic reviews will be conducted by the Associate Vice President of Campus Infrastructure to ensure completeness and accuracy.**
- **Responsibility – NSU Campus Infrastructure is responsible for ensuring supporting documentation is properly uploaded into Workday. Accounting Services will verify completeness of backup documentation prior to final payment processing.**

**Follow-up Response:**

**The procedures established at the time of original response have been fully implemented.**

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

Reno, Nevada  
October 9, 2025

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