

TRUCKEE MEADOWS COMMUNITY COLLEGE
CHANGE IN LEADERSHIP
Internal Audit Report
January 1, 2015 through January 31, 2016

GENERAL OVERVIEW

The Internal Audit Department performs a change in leadership, or “exit” audit, each time an institutional president leaves office. The audit focuses on areas for which the president is both directly and indirectly responsible, as noted in the Scope of Audit section below. The president has high level responsibility over Truckee Meadows Community College (TMCC) as well as direct responsibility for activities conducted within the President’s Office.

SCOPE OF AUDIT

The Internal Audit Department has completed a Change in Leadership audit at TMCC. The audit was conducted for the period of January 1, 2015 through January 31, 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. Testing President’s Office expenditures, including the president’s host, operating and travel expenses for reasonableness and compliance with related policies.
2. Reviewing TMCC financial accounts to determine whether deficit balances exist and the reason for the deficits.
3. Reviewing contracts entered into by TMCC for proper form and compliance with NSHE policies.
4. Reviewing litigation filed against TMCC to determine materiality of legal issues.

5. Examining and testing equipment inventory and the president's leave records for proper accountability.
6. Reviewing capital projects initiated by TMCC and the president.

In our opinion, we can be reasonably assured that TMCC operated in a satisfactory manner during the audit period and that no material deficiencies were noted. However, implementation of the following recommendations would provide an opportunity to further improve processes.

EXPENDITURES

The Internal Audit Department reviewed a sample of 65 expenditures that were charged to the President's Office accounts during the audit period. A variety of operating transactions were selected as well as the president's hosting and travel expenditures. The expenditures were examined for proper supporting documentation and approval, reasonableness, and compliance with established purchasing and other required procedures. Of the 65 expenditures, no material exceptions were noted with 58. The following exceptions were noted with the seven remaining items.

1. For one purchasing card transaction reviewed, the Statement of Account form was not signed by the cardholder and approved by a supervisor/manager, as required.

We recommend the Statement of Account be signed to help ensure transactions were properly reviewed and authorized.

Institution Response:

- **Corrective Action Taken: The Office of the President has established an electronic tracking system for documents as they are received and as they leave the office.**
- **Compliance, Measurement and Documentation: A part of this tracking system includes storage of scanned documents that can be retrieved in case items go missing in transport. Staff has been trained on what items should be**

entered into this log. Additional records storage is kept of statements of account for easy access.

- **Responsibility:** The Executive Assistant will continue to monitor to ensure documents are properly processed.

Follow-up Response:

Newly implemented Workday processes will ensure transactions are electronically reviewed. This meets the control objective of assuring proper documentation and approvals are obtained. We request this finding be closed.

2. On two occasions, hosting expenditures were charged as operating rather than hosting expenses. As a result, a Host Expense Documentation and Approval Form (host form) was not completed for the transactions. The transactions were also charged to state funded accounts.

We recommend hosting expenditures be properly identified so these transactions are documented and approved on a host form, as required. We also recommend hosting expenditures be charged to non-state accounts.

Institutional Response:

- **Corrective Action Taken:** Staff in the Office of the President has received additional instruction from Finance and Accounting to better define “program expenses” vs. “host expenses”.
- **Compliance, Measurement and Documentation:** The Executive Assistant will continue to monitor to ensure expenditures are properly coded and processed.
- **Responsibility:** The Budget and Planning Office staff will serve as a double check to ensure expenses are submitted with the proper documentation to include host forms.

Follow-up Response:

The implementation of the original response has been reviewed, is in place, and meets the control objective of assuring proper documentation and approvals are obtained. We request this finding be closed.

3. A host form was not on file for one host expenditure reviewed.
4. On two occasions, itemized receipts were not available for hosting expenditures. The receipts provided only indicate the total amount.

For items three and four, we recommend detailed receipts be provided, as stated on the TMCC Host Expense Documentation and Approval Form, and that the form be completed for hosting transactions.

Institutional Response:

- **Corrective Action Taken:** Office of the President staff has been instructed to include detailed receipts and proper host forms for host expenditures.
- **Compliance, Measurement and Documentation:** The Executive Assistant will continue to monitor expenditures are properly processed.
- **Responsibility:** The Budget and Planning Office staff will serve as a double check to ensure expenses are submitted with the proper documentation to include executed host forms.

Follow-up Response:

The implementation of the original response has been reviewed, is in place, and meets the control objective of assuring proper documentation and approvals are obtained. We request this finding be closed.

5. On one occasion, a travel claim was not filed to document expenses incurred on a trip to Las Vegas to attend a Board of Regents meeting. TMCC policy requires the submission of a travel claim form within 15 business days after trips are completed.

We recommend travel claims be completed as required.

Institutional Response:

- **Corrective Action Taken:** Office of the President staff has been trained on proper handling of travel expense claims.
- **Compliance, Measurement and Documentation:** The Executive Assistant will continue to monitor to ensure travel expense claims are properly processed within the stated timeframe.
- **Responsibility:** The Budget and Planning Office staff will serve as a double check to ensure claims are submitted with the proper documentation within the stated timeframe.

Follow-up Response:

The implementation of the original response has been reviewed, is in place, and meets the control objective of assuring proper documentation and approvals are obtained. We request this finding be closed.

CONTRACTS

We reviewed a sample of eight TMCC contracts that were active during the audit period. The agreements were reviewed for proper form and compliance with established NSHE contract policies. We noted the term of one contract was open-ended but was not signed by the Chancellor as required by NSHE policy. The contract was signed at the institution level.

We recommend that contracts with an open-ended term be signed by the Chancellor.

Institutional Response:

- **Corrective Action Taken: The Vice President of Finance and Administrative Services has assigned contract processing to a specific position to ensure contracts are properly reviewed and provided for necessary signatures.**
- **Compliance, Measurement, Documentation and Responsibility: The Office of the President will continue to request a contract routing form for contracts outlining which signatures are required after legal review.**

Follow-up Response:

The implementation of the original response has been reviewed, is in place, and meets the control objective of assuring proper documentation and approvals are obtained. We request this finding be closed.

OTHER

The following item was noted during this review; however, it is the responsibility of the NSHE System Office.

LEAVE RECORDS

The president's leave records were reviewed during the audit period for completeness and proper record keeping procedures. During this review, we noted one occasion in which annual leave was incorrectly adjusted in the leave keeping system. As a result, unused annual leave was overstated by one day upon the president's separation.

We recommend greater care be taken to ensure leave is properly recorded in the leave keeping system.

Institutional Response:

- **Detailed corrective action taken, including what will be done to avoid the identified issues in the future, and when these measures will be in place: professional leave limit adjustments in the current leave keeping system were incorrectly set to occur on July 1, instead of June 30 each year. The error occurred because the employee took annual leave on June 30 and July 1 at the same time her annual leave adjustment occurred on July 1. The error would not have occurred if the leave adjustment happened on June 30. It is extremely rare for an employee to lose annual leave and take annual leave on the last day of the fiscal year and the first day of the following fiscal year, but this is where the error occurred.**
- **How compliance and performance will be measured and documented for future audit, management and performance review: Effective October 1, 2017, the current leave keeping system will be replaced by Workday’s Enterprise Resource System Absence Management business process. The new system and leave keeping business process will not allow for this error to occur at the end of each fiscal year or upon separation. Between now and October 1, 2017, the current leave keeping system will be re-programmed to correctly to adjust professional leave on June 30 each year instead of July 1.**
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted: The Absence Management Lead for the new HCM System will help to ensure the new system is configured accordingly.**

Follow-up Response:

Newly implemented Workday processes ensure leave requests are properly reviewed and recorded. This meets the control objective of assuring proper documentation and approvals are obtained. We request this finding be closed.

STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of three state and five self-supporting accounts that have been assigned to the TMCC President’s Office. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	State Accounts	Self Supporting Accounts	Total
Balance July 1, 2014	\$ -	\$ 23,785	\$ 23,785
Transfers In	-	42,971	42,971
Revenues			
State Appropriations	620,460	-	620,460
Sales of Educational Activities	-	206	206
Private Grants & Contracts, Restricted	-	596	596
Total Revenues	<u>620,460</u>	<u>802</u>	<u>621,262</u>
Expenditures			
Salaries	534,571	-	534,571
Travel	12,106	590	12,696
Host	-	52,261	52,261
Operations	73,783	2,955	76,738
Total Expenditures	<u>620,460</u>	<u>55,806</u>	<u>676,266</u>
Balance June 30, 2015	<u>\$ -</u>	<u>\$ 11,752</u>	<u>\$ 11,752</u>
Balance July 1, 2015	<u>\$ -</u>	<u>\$ 11,752</u>	<u>\$ 11,752</u>
Transfers In	-	54,737	54,737
Revenues			
State Appropriations	585,202	-	585,202
Total Revenues	<u>585,202</u>	<u>-</u>	<u>585,202</u>
Expenditures			
Salaries	491,361	-	491,361
Travel	17,048	-	17,048
Host	-	50,320	50,320
Operations	76,793	813	77,606
Total Expenditures	<u>585,202</u>	<u>51,133</u>	<u>636,335</u>
Balance June 30, 2016	<u>\$ -</u>	<u>\$ 15,356</u>	<u>\$ 15,356</u>

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

Reno, Nevada
March 9, 2017

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