

GREAT BASIN COLLEGE
LIBRARY
Internal Audit Report
July 1, 2016 through June 30, 2017

GENERAL OVERVIEW

The Great Basin College (GBC) Library is located on the main Elko campus and serves students located at all GBC centers and sites. The library includes traditional library resources, digital and multimedia resources, and multiple computer work stations for students, faculty and the general public. The Library has an annual operating budget of approximately \$384,000 and employs two professional, two classified and four student employees.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Library at GBC for the period of July 1, 2016 through June 30, 2017.

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 expenditures for reasonableness, supporting documentation, and proper approval.
2. Testing controls over the receipt and deposit of funds received from the Library's business activities.
3. Reviewing procedures for collecting accounts receivable.
4. Testing equipment inventory for proper accountability.
5. Reviewing leave records, timesheets, and contracts for proper completion and approval.

In our opinion, we can be reasonably assured that the GBC Library operated in a satisfactory manner during the audit period and that no material deficiencies were noted. However, implementation of the following recommendations would provide opportunities to further improve the college's operations.

ACCOUNTS RECEIVABLE

The department incurs accounts receivable from the accumulation of fines and replacement costs associated with books and materials that are checked out but not returned to the Library. The receivables are tracked through the Library's computerized circulation and cataloging system. In reviewing this information and the procedures for collecting outstanding account balances, the following observations were noted.

1. Procedures do not currently exist to address management review of library accounts receivables and the methodology used to determine account aging and bad debt.

We recommend written procedures be developed that address this area. We recommend the procedures include the frequency in which the Library Manager, or designee, will perform the review with a minimum time frame of at least once per year.

Institution Response

GBC agrees with this audit finding and recommendation.

- **Library personnel will develop procedures that address management review of the library accounts receivables on an annual basis. Criteria will also be established which will help to determine bad debts and write-offs. Estimated completion date is 12/31/17.**
- **The Library Director will provide an annual review of the library's accounts receivables, bad debts and write-offs to the Vice President that oversees the library.**
- **The Library Director will be responsible and may be held accountable if these procedures are not carried out on an annual basis.**

Follow-up Response

Procedures, based upon the recommendation and the initial responses, have been established and put into place.

2. We were informed three library personnel have access to perform fee waivers in the library circulation and cataloging system. A process is not in place, however, for management review and/or approval of the waivers.

We recommend a written procedure be developed that addresses management review and approval of fee waivers.

Institution Response

GBC agrees with this audit finding and recommendation.

- **Library personnel will develop procedures that address management review and approval of fee waivers in the library circulation and cataloging system. Estimated completion date is 12/31/17.**
- **The Vice President that oversees the Library will review fee waivers in the library circulation and cataloging system on a quarterly basis.**
- **The Library Director will be responsible and may be held accountable if these procedures are not carried out on a quarterly basis.**

Follow-up Response

Procedures, based upon the recommendation and the initial responses, have been established and put into place.

DEPOSITS

Library personnel collect payments for a variety of business activities such as printing and photocopies, fines, and other services. We examined the procedures for collecting, storing and depositing receipts. A sample of 11 deposits was selected for review. The following exceptions were noted.

1. On six occasions funds were not deposited in a timely manner, including one occasion in which a donation to the Library was not processed by the GBC Foundation, as required. According to the GBC Cash Procedures policy, receipts in excess of \$100 must be deposited daily and lesser amounts must be deposited at least weekly. It also states gifts must be delivered to the GBC Foundation Office.

We recommend receipts and donations be deposited according to GBC policy.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The library was understaffed during the time period in which the internal audit was conducted. Those positions have now been filled which will assist in making sure receipts are deposited timely. The Library Director will be notified when donations are received and the Director will be responsible for contacting the GBC Foundation to ensure the donation is recorded and acknowledged.**
- **The Library Director will review the receipts periodically to ensure that deposits are occurring timely and according to policy. The Controller's Office staff may also verify deposits by reviewing the dated receipts.**
- **The Library Director will be responsible and may be held accountable if these procedures are not carried out as required by the GBC Cash Procedures policy.**

Follow-up Response

This recommendation was fully implemented at the time of the initial responses.

2. Of the eleven deposits tested, four did not contain the signature of an independent employee or supervisor to attest to the accuracy of the deposit.

We recommend, as a best practice, that an independent employee review the receipts and sign the deposit form as verification that the deposit is complete and accurate.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The library was understaffed during the time period in which the internal audit was conducted. Procedures were developed which directly address how deposits will be processed going forward. If two library department personnel are unavailable to review the deposits and verify their accuracy, the library will contact alternate department personnel, i.e. Controller's Office or Security staff, to review and verify that the deposit amount is correct.**
- **The Controller's Office will confirm that the deposit amount is correct and verify that signatures of the personnel that conducted the review are present.**
- **The Library Director will be responsible and may be held accountable if these procedures are not carried out as required by GBC Cash Procedures policy.**

Follow-up Response

This recommendation was fully implemented at the time of the initial responses.

CHANGE FUND

We noted the Library maintains two change funds, one of which was authorized by the Controller's Office and one that was not. The date the second change fund began to be used and how it was established was unknown.

We recommend the unauthorized change fund be deposited and that Library personnel work with the Controller's Office to reissue the money, if necessary.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The unauthorized second change fund was received by Controller's Office staff and deposited into the library's non-state revenue account. There were no indications that the money needed to be reissued.**
- **The library will continue to maintain the one remaining change fund and no other future change funds will be allowed or created.**
- **The Library Director will be responsible and may be held accountable if more than one change fund is utilized in the future without the authorization or knowledge of the Controller's Office.**

Follow-up Response

This recommendation was fully implemented at the time of the initial response.

EXPENDITURES

We reviewed 23 expenditures for proper supporting documentation and approval, reasonableness, and compliance with established purchasing procedures. Of the 23 transactions, two exceptions were noted.

1. The Library has been delegated authority by the college to purchase information services and resources that are unique to library operations such as books, subscription services, databases, and other research and information materials. As a result, the Library is authorized to make these purchases internally without utilizing the BCN Purchasing Department regardless of the amount of the purchases. In our review of transactions, we noted that written procedures do not exist to document the processes that are followed for making and approving these types of purchases. We also noted purchases for subscription services in excess of \$30,000 that were approved by only one employee. We recommend written procedures be developed to document the process that is followed by Library personnel when making purchases of information services and resources. We recommend the procedures include adequate internal controls, such as requiring additional signature approvals as the amount of purchases increases.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The upcoming conversion from Advantage to Workday in October 2017 will streamline the purchasing process. A supervisor's electronic approval will become standard on all future purchases and other transactions regardless of the dollar amount. Payments will not be issued until this process has been completed and the document is electronically routed to the Controller's Office for payment processing.**
- **The Workday program requires a supervisor's authorization before any payments are processed. Workday will prevent any unauthorized transactions from occurring if the supervisor denies a transaction.**

- **The Vice President for Business Affairs will be responsible for ensuring that all processes are functioning correctly in Workday and any processing errors shall be reported for resolution.**

Follow-up Response

This recommendation was fully implemented at the time of the initial responses.

2. On one occasion, a journal voucher used to transfer revenue for use of library computers was deposited in the Library's state account.

In the future, we recommend such transactions be recorded in the Library's self-supporting account.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The journal vouchers were researched and found to be funds generated from the Continuing Education department for computer lab usage for contract service classes. The revenue received was to offset the cost of toner cartridges which are purchased out of the library's state operating account. An account review found that there were no journal vouchers recorded in FY2018.**
- **The Continuing Education department has been notified of the finding and all future transactions will be recorded in the library's self-supporting revenue account. Journal vouchers which are initiated by each department are reviewed for accuracy by the Vice President for Business Affairs prior to being recorded.**
- **The Vice President for Business Affairs will ensure that this new practice is followed upon review of journal voucher transactions.**

Follow-up Response

This recommendation was fully implemented at the time of the initial responses.

STUDENT WORKERS

The timesheets of two student employees were reviewed for proper completion and approval during the audit period. A total of 14 timesheets were reviewed, resulting in the eight errors noted below.

1. On seven occasions, hours worked did not agree to hours paid in the Human Resources Management System (HRMS). For one student this resulted in an over payment of three and a half hours and for another student, four over payments of approximately 24 hours and two under payments of four and a half hours.

We recommend greater care be taken when recording employee work hours in the electronic payroll processing system. We also recommend the college review this matter and consider making an adjustment to the students' wages, if necessary.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The upcoming conversion from HRMS to Workday in October 2017 will streamline the process of completing timesheets for student workers. All student workers will clock in/out of Workday and their hours worked will be electronically routed to their supervisor for approval.**

The Human Resources department reviewed the timesheets in question and determined that no pay adjustments are necessary.

- **The Workday program requires a supervisor's authorization before any payroll is processed for student worker hours.**
- **The student worker's supervisor will be responsible for ensuring that the hours recorded are accurate before approving time.**

Follow-up Response

This recommendation was fully implemented at the time of the initial responses.

2. On one occasion, a timesheet was not signed by the supervisor to indicate approval of hours worked.

We recommend greater care be taken when signing and approving timesheets.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The upcoming conversion from HRMS to Workday in October 2017 will streamline the process of completing timesheets for student workers. All student workers will clock in/out of Workday and their hours worked will be electronically routed to their supervisor for approval.**
- **A timesheet will not be routed to payroll until a supervisor has approved the hours worked.**
- **The student worker's supervisor will be responsible for ensuring that the hours recorded are accurate before approving time.**

Follow-up Response

This recommendation was fully implemented at the time of initial responses.

LEAVE RECORDS

The leave records of one professional employee were reviewed to determine whether the records were accurately completed and proper record keeping procedures were followed. The following exceptions were noted.

1. On one occasion, annual leave taken was not recorded correctly so that the ending balance was understated by two days. In addition, we noted the employee's annual leave accrual was not properly prorated during the last month of employment. As a result, annual leave was underpaid by 18.4 hours upon the employee's separation.

We recommend the GBC Human Resources Department review this matter and make the appropriate adjustment in compensation to the former employee.

Institution Response

GBC agrees with this audit finding and recommendation.

- **The Human Resources Department will review this finding and make any necessary adjustment in compensation to the former employee. Estimated completion date is 12/31/17.**
- **The upcoming conversion from HRMS to Workday in October 2017 will track accruals and time used consistently across all NSHE institutions.**
- **The Human Resources Department will be responsible and may be held accountable in the future if repeat or similar observations are noted.**

Follow-up Response

GBC Human Resources Department reviewed the former employees leave and backup documentation. In addition, they discussed with payroll and determined that no compensation adjustment was necessary.

2. On four occasions, annual leave was submitted and approved after leave was taken. On another occasion, sick leave was not submitted in a timely manner.

We recommend employees be reminded of the requirements for submitting leave in a timely manner.

Institution Response

GBC agrees with this audit finding and recommendation.

- **A review of this practice was investigated and found that the employee's supervisor had given verbal approval for annual leave prior to the leave slip being completed. Current library personnel were reminded of the requirements for submitting leave in a timely manner.**
- **The upcoming conversion from HRMS to Workday will allow for an area where the employee or supervisor must enter comments when variations to procedures occur.**
- **The employee and supervisor will be held responsible and may be held accountable in the future if repeat or similar observations are noted.**

Follow-up Response

This recommendation was fully implemented at the time of the initial responses.

STATEMENT OF REVENUE AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of six state, one self-supporting and two gift accounts that were assigned to Library during the audit period. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	State Accounts	Self- Supporting Accounts	Gift Accounts	Total
Balance July 1, 2016	\$ -	\$ 1,857	\$ 4,993	\$ 6,850
Transfers-In	-	-	150	150
Revenues				
State Appropriations	382,924	-	-	382,924
Sales Educational Activities	-	1,026	-	1,026
Endowment Income Restricted	-	-	399	399
Total Revenues	382,924	1,026	399	384,348
Expenditures				
Salaries	193,275	-	-	193,275
Travel	543	312	-	855
Operations	104,342	1,637	-	105,980
Total Expenditures	298,160	1,949	-	300,109
Balance June 30, 2017	<u>\$ 84,764</u> ¹	<u>\$ 933</u>	<u>\$ 5,542</u>	<u>\$ 91,239</u>

¹ According to the GBC Budget Office the surplus balance was combined and balanced with activity in other state funded accounts.

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

Reno, Nevada
September 22, 2017

/-----SIGNATURE ON FILE-----/

Debbie Ottaviano
Senior Internal Auditor

/-----SIGNATURE ON FILE-----/

Scott Anderson
Internal Audit Manager

/-----SIGNATURE ON FILE-----/

Joseph Sunbury
Chief Internal Auditor



MEMORANDUM

Vice President for Business Affairs

TO: Debbie Ottaviano, Senior Internal Auditor

FROM: Sonja Sibert, Vice President for Business Affairs

SUBJECT: Audit Response for Great Basin College Library Internal Audit, July 1, 2016 to June 30, 2017

DATE: April 25, 2018

Nbr	Finding	Agree	Implemented	Est Date of Completion
1	Accounts Receivable Develop written procedures to address management review of library accounts receivables, account aging and bad debt.	Yes	Yes	
2	Develop written procedures to address management review and approval of fee waivers.	Yes	Yes	
3	Deposits Receipts and donations shall be deposited according to GBC policy.	Yes	Yes	
4	An independent employee shall review receipts and sign the deposit form as verification that the deposit is complete and accurate.	Yes	Yes	
5	Change Fund An unauthorized change fund shall be deposited and reissued, if necessary.	Yes	Yes	
6	Expenditures Develop written procedures to document the process of making purchases of information services and resources.	Yes	Yes	

7	Transfer of revenue for computer use shall be recorded in the Library's self-supporting account.	Yes	Yes	
Student Workers				
8	Greater care must be taken when recording employee work hours in the electronic payroll system. If necessary, an adjustment should be considered to the students' wages.	Yes	Yes	
9	Greater care must be taken when signing and approving timesheets.	Yes	Yes	
Leave Records				
10	Review and make an adjustment in compensation to a former employee for underpaid annual leave.	Yes	Yes	
11	Remind employees of the requirements for submitting leave in a timely manner.	Yes	Yes	