

UNIVERSITY OF NEVADA, RENO
INTERCOLLEGIATE ATHLETICS
Internal Audit Report
July 1, 2016 through September 30, 2017

GENERAL OVERVIEW

The University of Nevada, Reno (UNR) Intercollegiate Athletics (ICA) Department provides administrative oversight of 16 intercollegiate sports featuring more than 400 student-athletes. The teams have competed in the Mountain West Conference since 2012. The Director of Athletics has an overall responsibility for the department of approximately 125 employees. The department receives revenues through a variety of sources including ticket sales, state appropriations, donations, department events, and food, beverage, and merchandise sales. The department has an annual operating budget of approximately \$32 million.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the ICA Department at the University of Nevada, Reno for the period of July 1, 2016 through September 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. Reviewing and testing controls over the receipt and deposit of funds received from business activities.
2. Reviewing contracts, game guarantees, and trade-out agreements for compliance with Nevada System of Higher Education (NSHE) guidelines.
3. Examining equipment inventory for proper accountability.

4. Testing department expenditures for reasonableness, supporting documentation, and proper signature approvals.
5. Reviewing ICA accounts to ensure gift accounts were properly set up for donations and funds were utilized in accordance with established policies.
6. Reviewing self-supporting accounts for proper budget reporting.
7. Reviewing independent contractor and guest speaker agreements for compliance with university policies.
8. Testing volunteer agreements to ensure compliance with established policies.

In our opinion, we can be reasonably assured that the ICA Department is operating in a satisfactory manner. However, implementation of the following recommendations would further improve operations.

CASH CONTROLS

The ICA personnel collect payments for a variety of business activities such as royalty sales, game guarantees, sports camps and try out sales, and other services. We examined the procedures for collecting, storing, and depositing receipts for the department. The following exceptions were noted.

1. We noticed a pre-numbered receipt was not used for checks and cash received from various events. The actual date of checks and cash received could not be determined. Some of the check dates showed that the checks were written two to four weeks before the checks were deposited.

University policy for Deposit of Cash Receipts documented in the Administrative Manual requires pre-numbered receipts be issued by the collecting department for all cash/checks

received which are not subject to cash register, ticket sale, or other appropriate control.

We recommend a two-part pre-numbered receipt be used for check and cash received.

2. We noticed a list of participants was not attached to the checks and cash received.

To ensure all payments due to the university are received, we recommend a list of participants is attached to the receipts.

3. Of the ten deposits reviewed, seven were not made timely.

University policy requires receipts in excess of \$500 to be deposited within 24 hours of receipt and lesser amounts to be deposited within 72 hours of receipt. We recommend deposits be made in accordance with the university policy.

Institution Response

- **Corrective Action Plan:**
We have identified that the transactions were related to Cheer tryouts. We will address this issue by utilizing our third party online registration and payment processing system (Jump Forward). This will minimize the number of cash/check transactions handled through the department for these activities. Otherwise, a two-part pre-numbered receipt will be used. Jump Forward provides the ability to reconcile the number of participants, names of participants and payment status. This will ensure that all payments due to the University are received.
We will also remind all responsible staff of the university policy.
- **How compliance and performance will be measured and documented for future audit, management and performance review:**
ICA Business Office will ensure that Jump Forward is implemented for the necessary activities. ICA Business Office will purchase and monitor the use of pre-numbered receipts where applicable. ICA Business Office will regularly review timelines of deposits to ensure compliance with University policy.
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted:**
The Associate Athletics Director, Business and Business Manager are responsible for ensuring implementation of the corrective action.

CONTRACTS, GAME GUARANTEES, AND TRADE-OUT AGREEMENTS

The ICA Department enters into many contracts for its business operations. During the audit period, a total of 211 active agreements were identified including eleven contracts, 22 game guarantees, and 178 trade-out agreements. We reviewed a sample of three contracts, five game guarantees, and 20 trade-out agreements, for proper completion and adherence to NSHE contract policy. Of the 28 contracts, game guarantees, and trade-out agreements reviewed, no exceptions were noted with contracts and game guarantees. All trade-out agreements met business requirements established by Board policy; however, we noted the following:

1. Four trade-out agreements were signed but not dated by the authorized contract signer.
2. Two trade-out agreements were not signed by the authorized contract signer prior to the effective date.

For the above findings, we recommend trade-out agreements be properly signed by all parties prior to the effective date.

Institution Response

- **Corrective Action Plan:**
We will implement the use of DocuSign for trade-out agreements. This will ensure that the agreement is signed and dated timely and only by the authorized contract signer.
- **How compliance and performance will be measured and documented for future audit, management and performance review:**
ICA Business Office will ensure that all trade agreements are processed through DocuSign.
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted:**
The Associate Athletics Director, Business and Business Manager are responsible for ensuring implementation of the corrective action.

EQUIPMENT INVENTORY

A review of the equipment inventory assigned to the ICA Department was performed to determine whether items listed on the equipment inventory report were physically present and whether there were items that met the \$5,000 reporting threshold that were not included on the report. We tested 48 items included on the report that were over \$5,000. In addition, we reviewed equipment under \$5,000 that is separately tracked by the department in accordance with equipment inventory policy. Further we verified purchase of equipment under \$5,000 that are required to be inventoried were included on the equipment list. The following exceptions were noted.

1. Two items were observed but were not included on the equipment inventory report.

We recommend that the ICA Department work with the purchasing department to include them on the equipment inventory report.

2. Eleven items did not have asset tags.

We recommend replacement tags be obtained from the BCN Purchasing Department and affixed to the equipment as required. If it is impractical to affix asset tags to the equipment, we recommend the tags be maintained in a hard copy file with a reference list that includes the asset number, description, and location of each item.

3. One item could not be located. We were informed the item has been surplus in July 2016, but the surplus paperwork was not available.

We recommend the disposal of equipment be coordinated through the BCN Purchasing Department, as required. We recommend the status of the item be communicated to the Purchasing Department, so it can be removed from the equipment inventory report.

4. We noticed one rifle listed on the ICA inventory list was not listed on the Purchasing Department inventory report.

We recommend the department work with the Purchasing Department to include it on the BCN equipment inventory report.

5. We noticed a check-out log is not available for recording checked out rifles.
6. Eighty iPads were purchased for the football team and sixty-six of these iPads were distributed to the coaches and players. We noticed the serial numbers for the iPads were not recorded on the check-out log.

For findings 5 and 6, we recommend a proper tracking mechanism for off-site equipment be established to ensure the equipment can be accurately traced.

Institution Response

- **Corrective Action Plan:**
ICA will work with Purchasing to include the two items in our equipment inventory report.
ICA requested and received replacement inventory tags. Where practicable the tag will be affixed to the asset. Otherwise, the tag will be maintained in a hard copy file with a reference list that includes the asset number, description, and location of each item.
ICA will communicate to Purchasing the one item surplused but still reflected on ICA inventory report. ICA employees will be reminded of the policy by e-mail. The policy will also be addressed at an ICA all staff meeting in May.
ICA will work with Purchasing to include the rifle on their inventory report. ICA will develop a check-out log for the rifle team, and will update the existing iPad check-out logs to include serial numbers and clear identification for the individual responsible, as recommended.
- **How compliance and performance will be measured and documented for future audit, management and performance review:**
The ICA Business Office will review the inventory report from Purchasing to ensure that the three items have been added. ICA will review check-out logs with the responsible personnel to ensure that the recommendations have been implemented.
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted:**

The Associate Athletics Director, Business and Business Manager are responsible for ensuring implementation of the corrective action.

EXPENDITURES

We reviewed a sample of 70 expenditures for proper supporting documentation, approval, reasonableness, and compliance with established purchasing and other required procedures. The following exceptions were noted.

1. On three occasions, sales tax was charged and paid for the transaction.

We recommend employees be reminded that UNR is exempt from the state sales tax.

2. On two occasions, an employee travel claim was not filed timely.

We recommend employees be reminded to file the travel claim timely as required by the UNR travel policy documented in the University Administrative Manual.

Institution Response

- **Corrective Action Plan:**
ICA employees will be reminded of the policy. The policy will also be addressed at an ICA all staff meeting in May.
- **How compliance and performance will be measured and documented for future audit, management and performance review:**
ICA Business Office will continue to educate new and current employees regarding the policy on sales tax as well as travel policy.
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted:**
The Associate Athletics Director, Business and Business Manager are responsible for ensuring compliance with the policies.

TEAM TRAVEL

During the audit period, the ICA Department incurred approximately \$4 million in athletic team travel expenditures. We examined ten team travel transactions that occurred during the audit period to determine whether university and established team travel policies were followed. The following exceptions were noted.

1. On four occasions, a travel claim was not completed in a timely manner.

We recommend employees be reminded that travel claims be completed within 15 days after completion of the trip as required by the Athletic Team Travel policy documented in the University Administrative Manual.

2. On one occasion, a lodging expense was not recorded correctly on the travel claim.

We recommend greater care be taken to ensure travel expenses be recorded correctly on the travel claim.

Institution Response

- **Corrective Action Plan:**
ICA employees will be reminded of the policy. The policy will also be addressed at an ICA all staff meeting in May.
ICA will remind employees to modify travel claims for cost adjustments, when applicable.
- **How compliance and performance will be measured and documented for future audit, management and performance review:**
ICA Business Office will continue to educate new and current employees and supervisors on the specifics of the travel policy and for accurately completing and approving expense reports.
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted:**
The Associate Athletics Director, Business and Business Manager are responsible for ensuring compliance with the policy.

INDEPENDENT CONTRACTORS AND GUEST SPEAKERS

The documentation for a sample of five independent contractor and ten game official transactions were reviewed for proper completion and approval. We noticed one independent contractor agreement was completed and approved after the service was performed.

As a best practice, we recommend independent contractor agreements be completed and approved before the services are performed.

Institution Response

- **Corrective Action Plan:**
ICA employees will be reminded of the policy. The policy will also be addressed at an ICA all staff meeting in May.
- **How compliance and performance will be measured and documented for future audit, management and performance review:**
ICA Business Office will continue to educate new and current employees and supervisors on the independent contractor process.
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted:**
The Associate AD Business and Business Manager are responsible for ensuring compliance with the policy.

VOLUNTEERS

During the audit period, the ICA Department utilized approximately 70 volunteers for a variety of coaching, training, and administrative duties. The BCN Workers Compensation Office requires campuses to provide volunteers a Volunteer Packet, which includes a Term of Employment form (Volunteer Agreement), Personal Data form, and Volunteer Policy Acknowledgement form. Upon completion the forms are required to be submitted and maintained by the BCN Workers' Compensation Office. In reviewing the paperwork for a sample of ten volunteers, the following exceptions were noted.

1. On four occasions, a copy of the volunteer packet was not kept on file at the department. Business Center North (BCN) Workers' Compensation (Workers' Comp) Policies and Procedures require the department using volunteers to maintain name, phone number, address and emergency phone numbers on all volunteers. In line with policy, we recommend greater care be taken to ensure volunteer paper work be properly maintained at department.
2. On seven occasions, a volunteer packet was completed and/or approved after the service begin date.

3. On three occasions, the approval date was not indicated on the Terms of Employment.
4. On one occasion, a copy of the volunteer packet was not sent to the Worker's Comp, as required.

To ensure coverage under the worker's compensation program, volunteers must be reported timely. Failure to report volunteers in this timely manner may result in denial of workers' compensation benefits. For findings 2 through 4, we recommend greater care be taken to ensure volunteer packets be properly completed, approved, and forwarded to BCN Workers' Comp.

Institution Response

- **Corrective Action Plan:**
ICA employees will be reminded of the policy. The policy will also be addressed at an ICA all staff meeting in May.
ICA will implement an updated volunteer record retention program which will be consolidated under ICA's HR position.
- **How compliance and performance will be measured and documented for future audit, management and performance review:**
ICA Business Office and ICA HR will have a documented record retention policy for volunteers, and copies of the volunteer packets will be retained with ICA HR.
- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted:**
The Associate Athletics Director, Business, Business Manager and ICA's HR position are responsible for ensuring compliance with the policy.

PRIOR AUDIT

The prior audit of the UNR ICA Department was conducted for the period of July 1, 2012 through May 31, 2014. All recommendations from the prior audit have been implemented, are no longer applicable, or have already been addressed in this audit.

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

Reno, Nevada
March 22, 2018

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Memorandum

To: Joseph Sunbury, NSHE Chief Internal Auditor
From: Sheri Mendez 
Date: April 30, 2018
Subject: UNR Intercollegiate Athletics

The purpose of this memorandum is to transmit the responses to the audit of Intercollegiate Athletics for the period July 1, 2016 through September 30, 2017.

I have reviewed and concur with all responses.

cc: Marc Johnson, President
Vic Redding, Vice President, Administration and Finance
Scott Anderson, NSHE Internal Audit Manager