

UNIVERSITY OF NEVADA, RENO
COOPERATIVE EXTENSION
Internal Audit Report
July 1, 2016 through September 30, 2017

GENERAL OVERVIEW

The University of Nevada Cooperative Extension (UNCE) is the outreach college of the university that is designed to bring university research and knowledge to the people of Nevada. Through its 18 county office locations, UNCE staff delivers knowledge to communities in the areas of agriculture, horticulture, natural resources, community development, personal and family development, and health and nutrition. UNCE has over 200 staff and an annual operating budget of approximately \$25 million.

UNCE was recently part of an administrative consolidation in which the unit was brought under the College of Agriculture, Biotechnology, and Natural Resources (CABNR). UNCE now reports to the Dean of CABNR whereas prior to the consolidation, UNCE was a separate college with its own Dean. The consolidation was done primarily to take advantage of resources within CABNR, UNCE, as well as the Nevada Agricultural Experiment Station in order to increase overall efficiencies for each of these programs. The purpose of this review was to provide a level of assurance to CABNR administration regarding the overall operating effectiveness of UNCE.

SCOPE OF AUDIT

The Internal Audit Department has completed a limited review of Cooperative Extension at the University of Nevada, Reno (UNR) 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 the organizational structure and activities of UNCE including data contained on its website.
2. Examining UNCE's recharge activity for compliance with university procedures.
3. Testing expenditures for reasonableness, supporting documentation, and proper signature approvals.
4. Reviewing procedures for tracking firearms acquired by UNCE.
5. Reviewing the reporting requirements for federal funds received by UNCE, as part of the university's land-grant status, to determine whether reports were completed as required.
6. Testing self-supporting accounts for proper reporting of budgets.
7. Testing equipment inventories for proper accountability.
8. Reviewing cash handling and deposit procedures at various UNCE locations.

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

RECHARGE

A recharge center is any separately accounted for activity of the university which provides and charges for goods or services to other accounts or departments on campus.

Recharge rates must be based on actual costs and be charged consistently to all users so as to avoid discriminatory pricing between federal and non-federal users. Recharge centers are designed to operate on a break-even basis and not accumulate a significant surplus or deficit. On an annual basis, recharge rates and financial statements are required to be prepared and submitted to the UNR Business and Finance Office for review and approval if the recharge center has \$50,000 or more in activity.

UNCE has three approved recharge accounts, two of which exceed the \$50,000 threshold. The accounts are used to document vehicle depreciation expenses, lodging and food charges incurred at the Nevada State 4-H Camp, and services provided by a print shop in southern Nevada. We reviewed a sample of 14 recharge transactions from the three accounts for proper calculation and supporting documentation. The following exceptions were noted.

1. Six of 14 transactions tested involved the vehicle expense account. The account was established to help recover depreciation expenses on new vehicles and to provide a mechanism for replacing vehicles. These expenses are offset by charging mileage to university accounts when UNCE vehicles are used. As indicated, we noted the recharge rates submitted to the UNR Business and Finance Office are designed to recover depreciation expenses only and do not include an assessment for vehicle operating expenses. We also noted the recharge rates that were applied to each of the six transactions tested did not agree with the depreciation rates submitted to the business and finance office. This included four transactions that were charged less than the submitted rates and two transactions that were charged more. The latter two transactions involved mileage that was charged to federal grants and contracts. The federal government's Office of Management and Budget Uniform Guidance regulations require recharge rates

to be consistently applied. We also noted new vehicles were acquired during fiscal year 2016-17 that should have been included in the recharge center, however, a rate calculation for the vehicles was not prepared and submitted to the business and finance office.

2. Three of 14 transactions tested involved use of the 4-H camp. We noted the recharge rates that were assessed for each of the transactions included charges for lodging and meals. We noted the rate documentation submitted to the UNR Business and Finance Office, however, included only lodging fees. Fees for meals were subsequently provided by UNCE. We noted the meal fees charged for one of the three transactions did not agree with the rates provided by UNCE. We also noted a lodging fee assessed for one other transaction was not included on the lodging fee schedule.
 3. Five of 14 transactions tested were for services provided by the print shop. For one of the transactions, we noted the items charged were not included on the recharge rate list provided by UNCE. We also noted the supporting documentation for four transactions consisted only of the total amount and accounts charged. An invoice, receipt, or other documentation showing the types of goods and services sold was not available.
- For items one through three, we recommend recharge procedures be developed to help improve the administration of recharge within UNCE. The procedures should describe the methodology by which recharge rates are to be prepared and supported for UNCE recharge centers, require rates to be established and consistently applied for all goods and services that will be assessed by the recharge center, require appropriate supporting documentation to be prepared when recharge transactions occur, and require updates to previously submitted rates when changes occur within the fiscal year. We also

recommend the procedures require all of UNCE's recharge rates to be submitted to the UNCE Fiscal Officer for review and approval before final submission, if necessary, to the UNR Business and Finance Office.

Institution Response

- **Formal recharge procedures will be written and established that include the methodology for developing recharge rates for the 4-H Camp, Vehicle Depreciation, and the Print Shop. These formal procedures will describe what supporting documentation is required, files to include, and dates for submission. They will address the requirement that recharge rates be consistently applied for federal and non-federal funding sources, and will require updates to previously submitted rates when changes occur within the fiscal year. The policies and procedures will be written and approved by end of fiscal year, 2018.**
- **The formal recharge procedures will be a written document available to those responsible for preparing, approving and applying recharge rates. Additionally, the supporting documentation for the calculation of recharge rates will be maintained by the UNCE Fiscal Officer.**
- **The UNCE Fiscal Officer will be responsible for reviewing and approving all recharge rates before sending them to the Controller's office for final approval.**

4. The balance of the 4-H camp account was \$270,848 as of June 30, 2017. The balance is excessive as defined by university policy which states recharge centers should not have more than a two-month equivalent of operating expenses. Total operating expenditures posted to the recharge account during fiscal year 2016-17 was \$149,290. The reason for the high balance is that the account has been used to record not only the 4-H camp's recharge transactions but all other camp activities, including rental revenue received from groups outside the university. We were informed the rates charged to the outside groups differ from those charged to university departments.

As previously mentioned, recharge centers are intended to operate on a break-even basis. When transactions are commingled in the recharge account it is more difficult to monitor

the recharge balance and establish rates that satisfy the above principle. We recommend a new account be established to capture only the recharge activity of the Nevada State 4-H program.

Institution Response

- **We will remove the recharge from the 4-H operating account into a new account established solely for recharge activity. The new account will be set up by end of fiscal year, 2018 and all recharge transactions transferred.**
- **Moving the recharge into its own separate account will provide more transparency to allow management to monitor the 4-H operating and recharge accounts.**
- **The Fiscal Officer will be responsible that the new account is set up and costs transferred.**

5. While conducting this review, we also noted recharge transactions were posted to an account that has not been established and approved for recharge activity. The transactions were similar to those in the vehicle depreciation account, except in this case, mileage was assessed on fully depreciated vehicles. Depreciation expenses should not be assessed as recharge on fully depreciated vehicles. Although the transactions were reversed we noted the recharge revenue in the correcting entry was recorded as ordinary revenue. The university should not recognize funds received from another university entity as revenue. The transactions should have been posted to the internal sales and service expense category.

We recommend the above transaction, and other similar transactions that may have occurred within the account, be reversed and recorded as internal sales and service.

Institution Response

- **We have reversed the transactions via a journal entry to record the amounts that were posted as regular revenue into the Internal Sales and Service account.**

- **This situation was addressed at the monthly Fiscal/HR meeting on July 6, 2017. It was discussed with the Fiscal Manager of the Northern and Southern Area, the Budget Analyst of the Northern and Southern Area, and the Budget Analyst of Statewide that revenue from another department or entity can't recognize revenue and must record it internal sales and service.**
- **The responsibility for compliance lies with the Fiscal Officer who will work with the Statewide Budget Analyst that sufficient review is done to insure proper accounting.**

RESERVE ACCOUNTS

The majority of funding UNCE receives is generated through county property tax assessments. These funds are retained by the counties in a reserve account until expenses are incurred by UNCE and reimbursement is requested. Thus, the reserve balances represent funding that has been set aside and is available to spend on UNCE programs. We reviewed the procedures for monitoring the reserve accounts and examined the account balances for reasonableness. The following exceptions were noted.

1. UNCE tracks the balance of one reserve account by maintaining a report showing the financial activity and balance of funds available in the reserve each fiscal year going back to 1997. In our opinion, the report is a useful tool for monitoring the reserve balance and trends that may occur over time. We noted the report is not prepared for the other county reserve accounts.

We recommend the report be prepared for each of the county reserve accounts. We also recommend the reserve reports be distributed to appropriate UNCE administration and the Dean of CABNR for review purposes at the beginning of each fiscal year and updated on a quarterly basis to reflect activity in the accounts.

Institution Response

- **We will develop standard reports beginning September 30, 2018 that will show balance and activity in each county account similar to what Clark**

County is currently preparing. These reports will be updated quarterly, and distributed on an annual basis at the end of each fiscal year to the Dean of CABNR and the UNCE Director.

- **These reports will be prepared by the Fiscal Manager of the Northern Area and Fiscal Manager of the Southern Area and reviewed by the UNCE Fiscal Officer. They will be made available to management and others who may find the information useful.**
- **The UNCE Fiscal Officer will set up calendar reminders for the end of each quarter and fiscal year so that these reports are prepared and distributed.**

2. The balance of one county reserve account is excessive with a balance of approximately \$12.7 million as of June 30, 2017. As previously mentioned, the balance represents funds that are available to spend on UNCE programs.

We recommend UNCE administration develop a long-term strategic plan that focuses on reducing the balance by developing new programs and/or expanding current programs within the county.

Institution Response

- **The Dean of CABNR, NAES, and UNCE will develop with the Director of UNCE, UNCE Southern Area Director, Fiscal Officer, and other stakeholders, a strategic plan that will address the balance of the reserve Clark County fund and how to develop new programs with available funds and that are in alignment with UNCE's mission by May 31, 2018.**
- **The plan will define what an acceptable balance in the reserve fund should be. Increases or decreases in reserve balances will be reviewed quarterly by the Southern Area Director to determine if action is needed to adjust the spending on the reserve account.**
- **The Southern Area Director will be responsible for maintaining the reserve accounts within acceptable balance levels.**

3. Currently, UNCE does not have a policy for the amount of funds that should be retained in the county reserve accounts. It is important that adequate levels of funding are available to maintain continuity of programs during periods of revenue shortfalls and/or unanticipated expenditures. It is also important that the balances do not become

excessive. Such a policy would help to initiate appropriate courses of action should balances become too low or high.

As a best practice, we recommend UNCE and CABNR administration develop a policy that addresses the above issue. The policy should include the methodology for calculating an optimal reserve balance, or reserve balance range, and should take into consideration the economic circumstances within each county that could have an effect on the calculation.

Institution Response

- **UNCE will develop and have in place a policy for maintaining minimum and maximum balances in reserve in each county fund by September 30, 2018. The policy will address steps to be taken if the fund balance drops below or rises above the threshold established.**
- **Balances will be reviewed annually by the county Extension Educators and Area Directors.**
- **The county Extension Educators will be responsible for communicating with the Area Director to develop a plan to use or conserve the reserve if it falls outside the established thresholds.**

EXPENDITURES

We reviewed a sample of 214 expenditure transactions that were charged to UNCE financial accounts. The sample included a variety of payroll, travel, host, and operating expenditures. The transactions were reviewed for proper supporting documentation, approval, reasonableness, and compliance with established purchasing procedures. Payroll transactions were examined to determine whether employees were paid from appropriate sources of funding. Of the 214 expenditures tested, no reportable exceptions were noted with 196 and there were no exceptions involving payroll transactions. The following exceptions were noted for the remaining 18 expenditures.

1. On one occasion, a traveler was reimbursed for airfare that had already been paid with a university purchasing card.
2. One expenditure involved reimbursement to an employee for travel expenses incurred at a conference. We noted departure from the conference site did not occur until two days after the conference ended. As a result, an additional day of lodging and meal per diem was reimbursed to the employee.

For items one and two, we recommend the employees be requested to provide reimbursement to the university. In the future, we recommend greater care be taken by employees filing travel claims, as well as those reviewing and approving the documentation, to help ensure travel expenses are reasonable and purchasing card transactions are not reimbursed to employees.

Institution Response

- **Item 1 has been resolved and the employee has reimbursed the university. This was caused by an oversight on the review of the travel claim in comparison to the purchasing card transactions. The employee and the person who reviewed the travel claim have been reminded that the UAM policy states that all expenses listed on a travel claim are required to have supporting documentation.**
For item 2, we have requested reimbursement from the employee, and the Fiscal Manager will follow up for payment. The individual who created the expense report and the reviewer have been notified to use greater care when preparing and approving travel claims.
 - **The UNCE Fiscal Officer will send out a reminder to all UNCE employees, and increased scrutiny will be performed during the review process of travel claims.**
 - **The UNCE Fiscal Officer will be responsible for ensuring that all transactions on a travel claim or purchasing card have supporting documentation, including information of how the charges were paid.**
3. On one occasion, an employee was reimbursed for upgraded airfare for optional seating.
We also noted the trip involved international travel and that the amount of lodging

claimed and reimbursed to the employee was overstated due to the incorrect conversion of foreign to U.S. currency.

We recommend that reimbursement of upgraded airfare be disallowed in accordance with established university and NSHE policies. We also recommend greater care be taken when converting foreign currencies to U.S. dollars and that consideration be given for requesting reimbursement from the employee.

Institution Response

- **Current UNR policy is that seat upgrades are not reimbursable to the employee. We have requested that this individual reimburse UNR for the seat upgrade charge. This same individual used the incorrect date for the foreign conversion rate and we have requested the employee to reimburse UNR for the difference. The Fiscal Manager will follow up for payment, or reduce a future travel claim payment for the employee, if needed.**
 - **All UNCE employees will be notified that seat upgrades are not reimbursable, and that the foreign conversion rates to be used are the dates of the actual stay and not the date of the hotel bill.**
 - **The UNCE Fiscal Officer will notify all UNCE employees of the UAM policy through the UNCE Communique which is published every other month, and will remind reviewers to exercise greater care when approving expense reports.**
4. On four occasions, the supporting documentation for rental car expenses did not indicate that an NSHE or State of Nevada negotiated rental car contract and rate were used. Use of these contracts provides employees with preferred pricing and insurance coverage.

We recommend established rental car agreements be utilized.

Institution Response

- **Current UAM policy requires all car rentals go through our rental car contract with negotiated rates and insurance. These companies consist of Enterprise, National, and Hertz. The users overlooked this policy when making travel arrangements. The UNCE Fiscal Officer sent an email on September 23, 2017 to all UNCE employees reminding them of the UAM policy to only use the rental car companies we are contracting with.**

- **All UNCE employees have been made aware that only Enterprise, National, or Hertz are to be used when renting a car. Reviewers and approvers of travel reimbursements are also aware that this is required, and review of the allowability will be evidenced by their approval.**
 - **The UNCE Fiscal Officer will be responsible for insuring employees adhere to the requirement to utilize contracted companies when renting a car. Exceptions, when they are necessary, will be documented.**
5. On one occasion, a hotel receipt was not provided as documentation of lodging fees as required by university policy.

We recommend hotel receipts be provided as required.

Institution Response

- **Current policy states that all hotel receipts are to be included when submitting a travel reimbursement. The Fiscal Officer sent an email on September 23, 2017 reminding all employees of the UAM policy. All UNCE employees have been made aware that hotel receipts are required and that all transactions require support.**
 - **Reviewers and approvers are also aware that travel charges must have support to be approved for reimbursement, and review of the allowability of the charges will be evidenced by their approval.**
 - **The UNCE Fiscal Officer will be responsible for ensuring that employees adhere to the requirement to submit support for reimbursed travel expenses.**
6. Three transactions were not approved by an authorized account signer.

We recommend expenditures be approved by authorized employees.

Institution Response

- **Current UNR policy provides that transactions require approval by an authorized account signer. The Fiscal Officer sent an email reminder on September 23, 2017 reminding all employees of this requirement.**
- **The approval process is now automatically routed within Workday, and transactions are only routed for approval to individuals who have signature authority.**
- **The UNCE Fiscal Officer will ensure that expenditures are approved by authorized employees.**

7. Two transactions involved multiple purchases of airfare on a purchasing card. We noted a travel claim was not filed for two employees for whom airfare was purchased.

We recommend a travel claim be completed by employees for any university travel in which the university incurs expense.

Institution Response

- **Current policy states that a travel claim be submitted for any university business-related travel for which the university incurs expense. The UNCE Fiscal Officer sent an email on September 23, 2017 reminding all employees of this requirement.**
- **All UNCE employees are aware that any business travel requires a travel request be submitted.**
- **The UNCE Fiscal Officer will be responsible for ensuring that UNCE employees adhere to the requirement to submit a claim for any travel in which the university incurs expense.**

8. On three occasions, purchase orders were completed after-the-fact, that is, after an invoice for goods or services was received.

We recommend established purchasing procedures be followed which require a purchase requisition to be completed and submitted to the Business Center North (BCN)

Purchasing Department, with required price quotations, before a commitment to make a purchase is made.

Institution Response

- **Purchase requisitions will be created before invoices are received. The UNCE Fiscal Officer will include a reminder of this requirement in the UNCE Communique which is sent to all UNCE employees on a bi-monthly basis.**
- **All UNCE employees will be made aware of this requirement, and documentation of purchase requisitions to support purchases will be available for review.**
- **The UNCE Fiscal Officer will be responsible for ensuring that purchase orders are completed before invoices are accepted.**

9. On one occasion, a transaction for services provided exceeded \$5,000 but was not processed on a purchase order as required.

We recommend established purchasing procedures be followed.

Institution Response

- **Purchase orders will be created for purchases over \$5,000. The UNCE Fiscal Officer will include this requirement in the UNCE Communique which is sent to all UNCE employees on a bi-monthly basis.**
- **All UNCE employees will follow the established purchasing procedures, and orders for goods or services over \$5,000 will be supported by a purchase order.**
- **The UNCE Fiscal Officer will be responsible for ensuring that purchases over \$5,000 utilize purchase orders.**

10. One transaction involved the purchase of audio visual equipment including one item that was over \$5,000. We noted the equipment was charged as an operating expense and as a result, was not included in the fixed assets system.

We recommend the BCN Purchasing Department be notified of the equipment so it can be included in the fixed assets system.

Institution Response

- **UNCE has notified BCN Purchasing to move this item into the fixed asset list.**
- **The UNCE Fiscal Officer will include a reminder of this policy in the UNCE Communique which is sent to all UNCE employees on a bi-monthly basis.**
- **The UNCE Fiscal Officer will be responsible for ensuring that purchases over \$5,000 are included in fixed assets.**

FIREARMS

During this review, we were informed that some UNCE locations have acquired firearms over the years that are used for extension programs. We noted, however, that none of the firearms are listed as equipment in the university's fixed assets system. We were notified the reason is that the firearms were procured outside normal university purchasing processes.

Board of Regents and university policy requires firearms to be inventoried regardless of acquisition cost. The UNR Police Services Department is currently working with UNCE to identify and inventory the firearms. We recommend UNCE staff continue these efforts. Once the firearms have been identified, we recommend they be adequately secured, such as in a safe approved by police services. We also recommend the firearms be reported to the BCN Purchasing Department for inclusion in the university's fixed assets system. In addition, we recommend that UNCE develop a procedure in which the acquisition and purchase of firearms are required to be coordinated through the UNCE Fiscal Officer. Such a procedure should help to ensure these transactions are properly processed through the purchasing department.

Institution Response

- **A policy and procedure will be drafted and approved so that all firearms acquired are properly processed through the BCN Purchasing Department, and have approval by the UNCE Fiscal Officer. This policy will be developed and approved by September 30, 2018.**
- **We will continue to work with Police Services and 4-H Shooting Sports programs to maintain lists of all firearms by county. We are verifying that BCN Purchasing lists are current and accurate, and will perform a physical inventory count and storage inspection of all firearms within UNCE on an annual basis. We will use this process to ensure that all firearms have been identified and that they are adequately secured. Each year we will receive an inventory list from BCN that will be reviewed for completeness and accuracy during the physical inspection. This will be reviewed and signed off by the UNCE Fiscal Officer and the Extension Educator for each individual county. We will also ask the Extension Educator for each individual county to complete a questionnaire annually about any newly acquired or donated firearms. For donated firearms, we will require a receipt be issued to the donor, with a copy sent to the UNCE Fiscal Officer.**
- **The UNCE Fiscal Officer will be responsible for sending out the inventory lists from BCN Purchasing to the Extension Educators, as well as reviewing before approving and sending back to BCN Purchasing. It will be the responsibility of the Extension Educator to ensure that all firearms are properly stored in a safe and secure location and all acquisitions are reported to the UNCE Fiscal Officer and BCN Purchasing.**

EQUIPMENT INVENTORY

We reviewed the equipment inventory at six UNCE county locations to determine whether items listed on the equipment inventory report for each site were physically present and accounted for. The results of the testing are provided below.

Pershing County

Two items are included on the county's equipment inventory report. All items were reviewed. The following exceptions were noted.

1. One item was not located. We were informed the equipment, an ultrasound machine used for livestock, may be a component of another equipment item that is currently listed on Mineral County's equipment inventory report. The Mineral County equipment was located in Pershing County.

We recommend a review be performed to determine whether the above assets are component units and should be classified as one asset or whether they are separate equipment items. If they are component units, we recommend the BCN Purchasing Department be contacted in order to make the necessary correction in the fixed assets system. If the equipment is correctly classified as two separate items, we recommend the location of the first item noted be determined. We also recommend the Mineral County equipment either be returned for use at that location or formally transferred to Pershing County through the purchasing department.

Institution Response

- **UNCE has determined that this is one asset, not two. It was incorrectly set up with two asset tags. BCN Purchasing has been notified to make the correction in the fixed assets system.**
- **We will communicate to all UNCE employees to review their fixed asset list annually, and to report any discrepancies to the Fiscal Officer and BCN Purchasing for correction.**

- **The UNCE Fiscal Officer will be responsible for sending out the fixed asset lists from BCN Purchasing to the county Extension Educators, as well as reviewing before approving and sending back to BCN Purchasing. The Extension Educators will be responsible for reporting any discrepancies to the Fiscal Officer and BCN Purchasing for correction.**

2. Video conference equipment was observed that was not included on the county's equipment inventory report and did not have an asset tag. We were informed the equipment was installed in 2017 and is currently included on System Computing Services' (SCS) equipment inventory.

We recommend the BCN Purchasing Department be contacted in order to formally transfer the equipment from SCS to Pershing County. We also recommend an asset tag be obtained from purchasing and affixed to the equipment.

Institution Response

- **UNCE has notified BCN Purchasing of this discrepancy and have requested an asset tag to affix to the item. This will be resolved by May 31, 2018.**
- **We will communicate to all UNCE employees via the UNCE Communique, which is sent out bi-monthly, to review their fixed asset list annually and report any omitted items or missing asset tags to the UNCE Fiscal Officer BCN Purchasing immediately.**
- **The county Extension Educators will be responsible for reporting any discrepancies to the Fiscal Officer and BCN Purchasing for correction, and for ensuring that equipment items have asset tags.**

Churchill County

Thirteen items are included on the county's equipment inventory report. All items were reviewed. The following exceptions were noted.

1. One equipment item, a vehicle, was not present. We were informed the vehicle was transferred to CABNR. However, the vehicle is listed as in service at the Churchill County extension office in the fixed assets system.

We recommend the BCN Purchasing Department be contacted in order to formally transfer the vehicle to CABNR. In the future, we recommend greater care be taken to ensure the appropriate procedures are followed before equipment is transferred to another location.

Institution Response

- **This vehicle was purchased and used by UNCE and an agreement was made between UNCE and CABNR to transfer the vehicle to CABNR. BCN Purchasing has been notified and the fixed asset list has been updated.**
- **We will remind all UNCE employees to follow established procedures and communicate with the Fiscal Officer and BCN Purchasing when transferring equipment to another county or department.**
- **The county Extension Educators will be responsible for reporting any transfers of equipment to the Fiscal Officer and BCN Purchasing.**

Lyon County

Nine items are listed on the county's equipment inventory report. All items were reviewed. The following exceptions were noted.

1. Two items were not present. We were informed the equipment was sent to surplus, however, the items are listed as in service at the Lyon County extension office in the fixed assets system.

We recommend the BCN Purchasing Department be contacted regarding the status of these items. In the future, we recommend that the disposal of equipment be coordinated through the purchasing department as required.

Institution Response

- **UNCE has notified BCN Purchasing to remove the items from the inventory report.**
- **We will communicate to all UNCE employees via the UNCE Communique, which is sent out bi-monthly, to verify that items sent to surplus are removed**

from the fixed asset list, and to promptly notify BCN Purchasing if this doesn't happen.

- **The county Extension Educators will be responsible for reporting disposals of equipment to the Fiscal Officer and BCN Purchasing, and for ensuring the fixed asset lists are updated accordingly.**

2. Video conference equipment was observed that was not included on the county's equipment inventory report and did not have an asset tag. We were informed the equipment was installed in 2017 and is currently included on SCS' equipment inventory.
3. One item did not have an asset tag.

For items two and three, we recommend the purchasing department be contacted and requested to formally transfer the video conference equipment from SCS to Lyon County.

We also recommend asset tags be obtained from purchasing and affixed to the equipment.

Institution Response

- **UNCE has contacted BCN Purchasing to transfer this item into Lyon County's fixed asset list, and to obtain asset tags. This will be resolved by May 31, 2018.**
- **We will communicate to all UNCE employees via the UNCE Communique, which is sent out bi-monthly, to review their fixed asset list annually and report any omitted items or missing asset tags to the UNCE Fiscal Officer BCN Purchasing immediately.**
- **The county Extension Educators will be responsible for reporting any discrepancies to the Fiscal Officer and BCN Purchasing for correction, and for ensuring that equipment items have asset tags.**

Washoe County

Eleven items are listed on the county's equipment inventory report. All items were reviewed. The following exceptions were noted.

1. One item, a vehicle, was not present. We were informed the vehicle is incorrectly included in Washoe County's inventory and should be transferred to Humboldt County.
2. Three items did not have asset tags.

For items one and two, we recommend the BCN Purchasing Department be contacted and requested to formally transfer the vehicle to Humboldt County. We also recommend asset tags be obtained from purchasing and affixed to the equipment noted.

Institution Response

- **The vehicle was purchased for Humboldt County but, because it was purchased in Washoe County, it was incorrectly included in Washoe County's fixed asset list. UNCE has contacted BCN Purchasing to transfer this item to Humboldt County's fixed asset list, and to issue an asset tag for it. This will be resolved by May 31, 2018.**
- **We will communicate to all UNCE employees via the UNCE Communique, which is sent out bi-monthly, to thoroughly review their fixed asset list annually for accuracy and completeness, and to report any missing asset tags immediately to BCN Purchasing to obtain replacements.**
- **The county Extension Educators will be responsible for ensuring the fixed asset lists are reviewed and are accurate, and that equipment items have asset tags.**

Clark County

Forty-seven items are included on the county's equipment inventory report. Thirty-seven items were reviewed. The following exceptions were noted.

1. Three items, including a vehicle, were not present. We were informed the assets are incorrectly included in Clark County's equipment inventory and should be transferred to other counties.
2. Seven items did not have asset tags.

For items one and two, we recommend the BCN Purchasing Department be contacted and requested to formally transfer the equipment and vehicle to the appropriate locations. We also recommend asset tags be obtained from purchasing and affixed to the equipment noted.

Institution Response

- **The vehicle was purchased for White Pine County but, because it was purchased in Las Vegas, it was incorrectly included in Clark County's fixed asset list. UNCE has contacted BCN Purchasing to transfer this item to White Pine County's fixed asset list, and to obtain replacement asset tags for the missing tags. This will be resolved by May 31, 2018.**
- **We will communicate to all UNCE employees via the UNCE Communique, which is sent out bi-monthly, to thoroughly review their fixed asset list annually for accuracy and completeness, and to report any missing asset tags immediately to BCN Purchasing to obtain replacements.**
- **The county Extension Educators will be responsible for ensuring the fixed asset lists are reviewed and are accurate, and that equipment items have asset tags.**

REPORTING

UNCE produces an annual report of program activities on its website. The report includes summary information on each major program and a chart showing overall sources of funding for UNCE. The data is provided in a multiple page format. Separate reports are also produced by each county office that includes programmatic information relative to each county. The county reports vary somewhat in the type of information and level of detail that is provided. As such, many of these reports are several pages in length or do not include relevant information such as financial data specific to the county and/or impacts of programs to the community.

To enhance current reporting and to promote an easier to read style, we recommend a standardized one-page summary report be developed and completed for each county. The report should include basic financial information such as total expenditures incurred by funding source, number of full-time equivalent (FTE) positions funded, and some qualitative programming impacts such as the number of attendees at each event and people served within each program. We recommend the summary report be completed on an annual basis and made available on the UNCE website.

Institution Response

- **UNCE will develop, by county, a standardized summary page to show basic financial and qualitative programming data and will provide the information on the UNCE web page by October 31, 2018. We will work with the Web Communications Specialist to design and update the information for the web page. The financial information will be provided by the Fiscal Officer and program information will be provided by the county Extension Educators.**
- **The summary reports will be available for review on the UNCE website.**
- **The UNCE Fiscal Officer and county Extension Educators will be responsible for sending the information to the Web Communications Specialist to post on the UNCE website. This will part of the fiscal year-end procedures.**

CASH HANDLING PROCEDURES

Receipts are collected at UNCE county offices from the sale of cooperative extension publications and other materials. Most of this activity occurs in Clark and Washoe counties with substantially lesser amounts at other locations. The procedures for collecting and depositing the receipts varies based on the amount of staffing within each office and proximity to a bank. For instance, some locations take deposits directly to a nearby bank while others use remote deposit technology or transport receipts by vehicle to a bank in another city or UNCE office. We noted written cash handling procedures do not exist for some UNCE offices.

To improve controls in this area and to promote standardization across UNCE, we recommend written cash handling and deposit procedures be developed by the UNCE Statewide Office and distributed to the county offices for use.

Institution Response

- **UNCE will develop standardized written cash handling and deposit procedures by May 31, 2018.**
- **The written procedures will be distributed to all county offices and UNCE employees will be aware of the procedures.**
- **The Fiscal Officer will be responsible for ensuring cash handling and deposit procedures are being followed.**

STATEMENT OF REVENUE AND EXPENDITURES

The statement of revenue and expenditures provided below is based on the activity within UNCE's various state, self-supporting, grant, and gift accounts. The data is also provided by county, as shown in Attachment A. The information was obtained from the financial accounting system and is provided for informational purposes.

	State Accounts	Self Supporting Accounts	Gift & Grant Accounts	County Accounts	Multi-Year Grant Accounts ⁴	Total
Balance July 1, 2016	\$ -	\$ 3,145,081	\$ 650,288	\$ 1,625,362	\$ -	\$ 5,420,731
Transfers In	-	105,023	-	-	2,663	107,686
Revenues						
Indirect Cost Recovery	-	132,592	-	-	-	132,592
Misc Sales/Service	-	374,787	-	-	-	374,787
Other	-	122,755	-	-	-	122,755
Gifts	-	-	2,500	-	-	2,500
Federal Grants, Restricted	-	-	1,283,325	-	13,089,867	14,373,192
State Grants, Restricted	-	-	-	-	170,149	170,149
Local Grants, Restricted	-	-	-	591,110	11,000	602,110
Private Gifts, Grants, Restricted	-	(1,393)	-	-	29,755	28,362
State Appropriations	3,857,329	-	-	-	-	3,857,329
Sales/Service Restricted	-	5,421	-	7,462,287	-	7,467,708
Total Revenues	<u>3,857,329</u>	<u>634,162</u>	<u>1,285,825</u>	<u>8,053,397</u>	<u>13,300,771</u>	<u>27,131,484</u>
Transfers Out	-	85,016	5,273	-	2,010	92,299
Expenditures						
Salaries	2,864,325	324,997	1,361,911	5,418,521	7,462,408	17,432,162
Travel	76,211	81,208	3,022	116,281	491,594	768,316
Host	-	25,659	10,632	-	19,740	56,031
Internal Sales & Services	-	(285)	-	-	-	(285)
Operations	891,967	657,040	64,420	2,447,665	1,008,402	5,069,494
Sales & Service Recharge	-	(219,206)	-	-	-	(219,206)
Participant Support	-	-	-	-	172,654	172,654
Sub Agreements with I/C	-	-	-	-	119,691	119,691
Sub Agreements without I/C	-	-	-	-	39,351	39,351
Tuition and Fees	2,493	4,613	-	-	23,175	30,281
Equipment	22,333	54,615	-	243,809	12,000	332,757
Building Improvements	-	-	-	29,000	-	29,000
Facilities & Administration Cost	-	-	-	-	1,261,282	1,261,282
Total Expenditures	<u>3,857,329</u>	<u>928,641</u>	<u>1,439,985</u>	<u>8,255,276</u>	<u>10,610,297</u>	<u>25,091,528</u>
Balance June 30, 2017	\$ -	\$ 2,870,609	\$ 490,855	\$ 1,423,483	\$ 2,691,127	\$ 7,476,074

	State Accounts	Self Supporting Accounts	Gift & Grant Accounts	County Accounts	Multi-Year Grant Accounts ⁴	Total
Balance July 1, 2017	\$ -	\$ 2,870,609	\$ 498,859 ¹	\$ 1,423,483	\$ 2,691,127	\$ 7,484,078
Transfers In	-	23,722	-	-	-	23,722
Revenues						
Indirect Cost Recovery	-	41,870	-	-	-	41,870
Misc Sales/Service	-	74,472	-	-	-	74,472
Other	-	36,449	-	-	-	36,449
Federal Grants, Restricted	-	-	-	-	103,900	103,900
Local Grants, Restricted	-	-	-	90,507	-	90,507
State Appropriations	3,703,511	-	-	-	-	3,703,511
Sales/Service Restricted	-	390	-	1,196,771	-	1,197,161
Total Revenues	<u>3,703,511</u>	<u>153,181</u>	<u>-</u>	<u>1,287,278</u>	<u>103,900</u>	<u>5,247,870</u>
Transfers Out	-	23,726	-	-	568	24,294
Expenditures						
Salaries	2,644,971	606,079	1,324,721	6,095,981	128,037	10,799,789
Travel	18,014	7,288	229	13,789	21,550	60,870
Host	-	4,746	440	-	-	5,186
Internal Sales & Services	-	(2,985)	-	-	-	(2,985)
Operations	553,287	246,955	16,366	914,331	97,399	1,828,338
Sales & Service Recharge	-	(112,174)	-	-	-	(112,174)
Participant Support	-	-	-	-	222	222
Tuition and Fees	-	6,307	-	-	3,728	10,035
Equipment	-	38,974	-	7,919	-	46,893
Facilities & Administration Cost	-	-	-	-	37,953	37,953
Total Expenditures	<u>3,216,272</u>	<u>795,190</u>	<u>1,341,756</u>	<u>7,032,020</u>	<u>288,889</u>	<u>12,674,127</u>
Balance September 30, 2017	\$ <u>487,239</u>	\$ <u>2,228,596</u>	\$ <u>(842,897)</u> ²	\$ <u>(4,321,259)</u> ³	\$ <u>2,505,570</u>	\$ <u>57,249</u>

1. Balance does not agree with 6/30/17 balance due to timing differences related to gifts received by the UNR Foundation and subsequent posting to UNCE accounts in the financial accounting system.
2. Deficit balance includes encumbrances of \$883,504.
3. Deficit balance includes encumbrances of \$5,043,109.
4. Due to the nature of multi-year accounts some of the activity reported occurred prior to the audit period.

The Internal Audit Department appreciates the cooperation and assistance received from UNCE personal during this review.

Reno, Nevada
March 23, 2018

/-----SIGNATURE ON FILE-----/
Stefania Pacheco
Senior Internal Auditor

/-----SIGNATURE ON FILE-----/
Eric Wilber
Senior Internal Auditor

/-----SIGNATURE ON FILE-----/
Scott Anderson
Internal Audit Manager

/-----SIGNATURE ON FILE-----/
Joseph Sunbury
Chief Internal Auditor

ATTACHMENT A

County	State	Gift & Grant	County	County Reserve	Self-Supporting	MY Grant
Carson City						
Balance 7/1/16	-	3,386	15,592		2,556	-
Revenues	-	30	147,023		39,570	-
Expenditures	-	2,500	262,062		41,506	-
Balance 9/30/17	-	916	(99,447)		620	-
Balance 6/30/17				241,724		
Churchill						
Balance 7/1/16	-	14,420	(55)		496,829	-
Revenues	-	-	28,333		113,906	834,513
Expenditures	-	-	68,737		226,624	828,611
Balance 9/30/17	-	14,420	(40,459)		384,111	5,902
Balance 6/30/17				151,925		
Clark						
Balance 7/1/16	-	325,848	(27,611)		102,630	-
Revenues	-	150	7,067,631		53,163	3,142,239
Expenditures	-	137,608	11,349,550		63,698	2,330,355
Balance 9/30/17	-	188,390	(4,309,530)		92,095	811,884
Balance 6/30/17				12,710,499		
Douglas						
Balance 7/1/16	-	2,749	1		16,962	-
Revenues	-	30	76,072		4,719	1,074,292
Expenditures	-	2,000	174,058		2,649	956,118
Balance 9/30/17	-	779	(97,985)		19,032	118,174
Balance 6/30/17				228,592		

County	State	Gift & Grant	County	County Reserve	Self-Supporting	MY Grant
Elko						
Balance 7/1/16	-	84,284			116,203	-
Revenues	1,511	7,254	32,493		5,168	905,170
Expenditures	1,511	24,277	67,987		107,722	887,023
Balance 9/30/17	-	67,261	(35,494)		13,649	18,147
Balance 6/30/17				84,424		
Eureka						
Balance 7/1/16	-	-	-		-	-
Revenues	-	-	42,431		-	-
Expenditures	-	-	80,141		-	-
Balance 9/30/17	-	-	(37,710)		-	-
Balance 6/30/17				863,934		
Humboldt						
Balance 7/1/16	-	-	-		1,872	-
Revenues	-	-	660		12	-
Expenditures	-	-	1,267		-	-
Balance 9/30/17	-	-	(607)		1,884	-
Balance 6/30/17				1,268,643		
Lander						
Balance 7/1/16	-	13,296	-		-	-
Revenues	-	-	13,002		-	-
Expenditures	-	6,216	29,601		-	-
Balance 9/30/17	-	7,080	(16,599)		-	-
Balance 6/30/17				273,217		
Lincoln						
Balance 7/1/16	-	-	-		9,920	-
Revenues	-	-	150		775	-
Expenditures	-	-	290		-	-
Balance 9/30/17	-	-	(140)		10,695	-
Balance 6/30/17				23,143		-

County	State	Gift & Grant	County	County Reserve	Self-Supporting	MY Grant
Lyon						
Balance 7/1/16	-	16,623	(6)		-	-
Revenues	-	-	8,955		1,184	475,702
Expenditures	-	3,127	17,533		-	314,591
Balance 9/30/17	-	13,496	(8,584)		1,184	161,111
Balance 6/30/17				215,111		
Mineral						
Balance 7/1/16	-	4,825	488		11,148	-
Revenues	50,160	-	9,319		6,091	1,307,827
Expenditures	34,149	1,606	20,581		1,948	1,079,397
Balance 9/30/17	16,011	3,219	(10,774)		15,291	228,430
Balance 6/30/17				11,992		
Nye						
Balance 7/1/16	-	10,942	19,902		-	-
Revenues	-	-	101,488		-	-
Expenditures	-	-	50,385		-	-
Balance 9/30/17	-	10,942	71,005		-	-
Balance 6/30/17				2,056		
Pershing						
Balance 7/1/16	-	-	-		1,967	-
Revenues	-	-	11,831		411	21,253
Expenditures	-	-	11,976		10	21,253
Balance 9/30/17	-	-	(145)		2,368	-
Balance 6/30/17				98,817		
Washoe						
Balance 7/1/16	-	33,023	1,617,052		255,931	-
Revenues	-	-	1,791,463		80,130	572,175
Expenditures	-	1,011	3,128,619		89,113	484,877
Balance 9/30/17	-	32,012	279,896		246,948	87,298
Balance 6/30/17				-		

County	State	Gift & Grant	County	County Reserve	Self-Supporting	MY Grant
White Pine						
Balance 7/1/16	-	-	-		-	-
Revenues	-	-	9,824		248	-
Expenditures	-	-	24,507		-	-
Balance 9/30/17	-	-	(14,683)		248	-
Balance 6/30/17				145,549		
Statewide						
Balance 7/1/16	-	75,832	-		1,665,608	-
Revenues	4,434,150	1,283,865	-		405,675	3,345,837
Expenditures	4,375,994	566,273	-		1,072,739	2,363,155
Balance 9/30/17	58,156	793,424	-		998,544	982,682
Southern Area						
Balance 7/1/16	-	19,746	-		275,754	-
Revenues	1,006,508	-	-		70,596	-
Expenditures	842,273	341,052	-		89,177	-
Balance 9/30/17	164,235	(321,306)	-		257,173	-
Northern Area						
Balance 7/1/16	-	45,312	-		187,703	-
Revenues	2,067,361	2,500	-		134,441	1,728,326
Expenditures	1,818,525	1,701,345	-		137,386	1,636,383
Balance 9/30/17	248,836	(1,653,533)	-		184,758	91,943
Total Balance 9/30/17	\$ 487,238	\$ (842,900)	\$ (4,321,256)		\$ 2,228,600	\$ 2,505,571
Total Balance 6/30/17				\$ 16,319,626		



Memorandum

To: Joseph Sunbury, NSHE Chief Internal Auditor
From: Sheri Mendez
Date: May 8, 2018
Subject: Cooperative Extension

The purpose of this memorandum is to transmit the response from Cooperative Extension to the audit of the Cooperative Extension 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
Bill Payne, Dean, College of Agriculture, Biotechnology & Natural Resources