

TRUCKEE MEADOWS COMMUNITY COLLEGE
FOUNDATION
Internal Audit Report
July 1, 2017 through November 30, 2018

GENERAL OVERVIEW

The Truckee Meadows Community College (TMCC) Foundation was established in 1982 to provide the college the ability to pursue philanthropic support for TMCC students and programs. Monies raised by the foundation help bridge the gap between public funding and the college's needs, as determined by TMCC leadership and strategic master plan. Some of the areas in which foundation funding is utilized includes student scholarships, capital projects to improve educational facilities, instructional equipment, professional development, and other critical needs.

The TMCC Foundation is a non-profit 501c(3) organization founded exclusively for charitable and educational purposes. Its members include the Nevada System of Higher Education (NSHE) Board of Regents as corporate members and a governing Board of Trustees consisting of local business and community leaders to assist in fundraising efforts. Each year, the foundation awards approximately \$800,000 in scholarship funds to nearly 600 TMCC students. The foundation office staff is comprised of five professional, one classified, and one student employee.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the TMCC Foundation for the period of July 1, 2017 through November 30, 2018.

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 foundation office expenditures, including hosting, operating and travel expenses for reasonableness and compliance with related policies.
2. Reviewing foundation gift accounts to determine whether donor requirements were followed.
3. Reviewing contracts entered into by the foundation for proper form and compliance with NSHE policies.
4. Examining and testing equipment inventory for proper accountability.

In our opinion, we can be reasonably assured that the TMCC Foundation 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 32 expenditures that were charged to TMCC Foundation Office accounts during the audit period. A variety of operating transactions were selected as well as 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 32 expenditures, exceptions were noted with 5 as noted below.

1. On three occasions, expenditures were not properly classified as hosting transactions. As a result, host forms were not completed.
2. For two hosting transactions, host forms did not list all persons in attendance.

For items one and two, we recommend greater care be taken to ensure hosting transactions are properly identified and that host forms are completed as required.

Institution Response

The TMCC Foundation agrees with this audit finding and recommendation.

- **Corrective Action Taken:**
For the expenditures that were not properly classified as hosting transactions, host forms were completed and submitted to the Vice President of Finance and Administration's Office. The host forms that did not list all persons in attendance were re-submitted to the Vice President of Finance and Administration's Office with the names of the attendees.
- **Compliance, Measurement, and Documentation:**
On a monthly basis, the Foundation will reconcile all host expenses to ensure that receipts, list of attendees and host forms are included with all expenses.
- **Responsibility:**
Foundation's AAIV position.

Follow-up Response:

The Foundation's AAIV completed refresher training on Host Policies and Procedures and double-checks transactions for accuracy and compliance prior to submission to the College's Host authorization system, which includes multiple levels of additional review prior to submission to Workday. TMCC requests this finding be closed.

CASH CONTROLS

Gifts and donations are received by employees in the foundation office. The majority of the funds collected consist of checks that are received in the mail. We examined the procedures for collecting, storing, and depositing receipts. During this review, we noted that donations received in the mail are opened by one employee who makes copies of the checks then forwards the copies to another employee for input into the foundation's fundraising software. There is not another person involved in the opening of the mail or a written record of mail-in donations.

As a best practice, we recommend the mail be opened in the presence of two employees and that donations be recorded on a log that lists each check, amount, and the corresponding gift

account for which the donations are intended. We recommend the log be signed by both employees and used to reconcile to the donations that are recorded in the fundraising software.

Institution Response

The TMCC Foundation agrees with this audit finding and recommendation.

- **Corrective Action Taken:**
On April 25, 2019 a new procedure was implemented that includes all checks being opened in front of two staff members. The checks are then logged into a newly created check receipt log that is initialed by two staff members. The log includes the name on the check, date, check number, amount, gift account name and initials for two staff members. On a monthly basis, the log is reconciled with the donor reports that are created out of the Raiser's Edge donor database.
- **Compliance, Measurement, and Documentation:**
On a monthly basis, the check log will be reconciled with the donor database to ensure all checks are included in the log.
- **Responsibility:**
Executive Director and AAIV

Follow-up Response:

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

FOUNDATION BANK ACCOUNT

Gifts and donations received by the foundation are deposited in a business checking account at a major national bank. According to bank statements that were reviewed from 2018, the balance in the account ranges from approximately \$1.5 to \$2 million. We noted the rate of interest earned on the account is very low. We were informed the TMCC Foundation Board of Trustees recently formed an investment committee and is exploring alternative investment options for these funds. It is understood the money should remain in conservative accounts to be readily available to spend on scholarships and other programs; however, it is likely a higher rate of return could be obtained.

We recommend the TMCC Foundation Board of Trustees continue to pursue investment opportunities with little to no risk that provide a greater return on investment.

Institution Response

The TMCC Foundation agrees with this audit finding and recommendation.

- **Corrective Action Taken:**
The Foundation Board updated its Investment Policy in June 2017 and began looking at higher yielding investment options with comparable risk. In July 2017, \$250,000 was invested in a CD with a competitive rate. The Foundation's Investment Committee met in April and July 2019 to review additional investment allocations. The Committee identified acceptable investment options and will bring their recommendations to the September 2019 Foundation Board meeting. Upon approval, funds will be immediately invested.
- **Compliance, Measurement, and Documentation:**
At its annual June meeting, the Foundation Board will review the Foundation investments to ensure that returns are maximized at acceptable risk levels.
- **Responsibility:**
Executive Director

Follow-up Response:

At its September 2019 Board Meeting, the Foundation Board approved a revision to the investment policy and transitioned to an account that is invested in Government Money Market Funds. The Foundation also continues to invest in Certificates of Deposit to maximize interest with little to no risk. We request this finding be closed.

FOUNDATION ACCOUNT REVIEW

We reviewed five scholarship accounts established by the foundation to determine whether adequate documentation was maintained and on file in the foundation office, the accounts were properly established in Workday, and that the scholarships were awarded in accordance with the donors' requirements.

During this review, one scholarship was awarded to a student who did not meet the donor's requirements.

We recommend that scholarships only be awarded to students who meet the donor criteria.

Institution Response

The TMCC Foundation agrees with this audit finding and recommendation.

- **Corrective Action Taken:**
The Foundation's Scholarship Manager contacted the donor whose scholarship was awarded incorrectly and informed them that their account will be reimbursed for the one incorrectly awarded scholarship. A scholarship with their reimbursed funds will be awarded with the correct criteria this fall.
- **Compliance, Measurement, and Documentation:**
During the scholarship's cycle management process, which occurs at the end of each calendar year, the Scholarship Manager will check each scholarship donor's awarding criteria with their scholarship agreement to ensure accuracy.
- **Responsibility:**
Scholarship Manager

Follow-up Response:

The corrective action was completed and the additional review process was implemented in December, continuing annually at the close of the calendar year. We request this finding be closed.

SENSITIVE EQUIPMENT

During this review, we noted five laptop computers were purchased through a foundation grant which were used by TMCC employees to work on a college related project. The computers were given to the employees as compensation for work on the project. For this reason, the computers were not purchased through the TMCC Information Technology (IT) Department, as typically required, and were not included as part of the foundation's or college's sensitive equipment inventory.

We recommend TMCC Foundation funds that are used to purchase equipment or other items for faculty/staff remain the property of the college or the foundation. We recommend that computer purchases be coordinated through the TMCC IT Department. We also recommend the BCN Payroll Department be contacted to determine whether the computers should be included in the employees' taxable income.

Institution Response

The TMCC Foundation agrees with this audit finding and recommendation.

- **Corrective Action Taken:**
The College's Human Resources Office has worked with BCN to add the \$379 in compensation to the 2019 payroll for the twelve employees who received a tablet/notepad.
- **Compliance, Measurement, and Documentation:**
The Foundation will alert the Controller's Office and Human Resources Department to any grant submission that could include compensation for employees to determine tax implications. HR will be notified when any of these grants are awarded in order to include compensation in the employee's taxable income.
- **Responsibility:**
Executive Director

Follow-up Response:

In July 19, NSHE added the \$379 in compensation to the payroll for the twelve employees who received a tablet. The Foundation Office has implemented a review and notification process for submissions that result in added employee compensation. 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, eleven self-supporting, and 322 gift and endowment accounts that have been assigned to the TMCC Foundation. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	State	Self Supporting	Gifts and Endowments	Total
Balance July 1, 2017	\$ -	\$ 15,555	\$ 5,909,365	\$ 5,924,920
Transfers In	\$ -	\$ 262,197 ¹	\$ 122,887	\$ 385,084
Revenues				
State Appropriations	\$ 215,078	\$ -	\$ -	\$ 215,078
Gifts	\$ -	\$ 37,500	\$ 727,715	\$ 765,215
Investment/Endowment Income	\$ -	\$ -	\$ 311,129	\$ 311,129
Sales and Service Revenue	\$ -	\$ 6,737	\$ -	\$ 6,737
Indirect Cost Recovery	\$ -	\$ 2,187	\$ -	\$ 2,187
Total Revenues	\$ 215,078	\$ 46,424	\$ 1,038,844	\$ 1,300,346
Transfers Out	\$ -	\$ 2,048	\$ 130,637	\$ 132,685
Expenditures				
Financial Aid	\$ -	\$ 12,999	\$ 781,661	\$ 794,660
Salaries	\$ 183,529	\$ 232,866	\$ 177,289	\$ 593,684
Operations	\$ 29,482	\$ -	\$ 53,259	\$ 82,741
Travel	\$ 2,067	\$ -	\$ 4,627	\$ 6,694
Host Expense	\$ -	\$ 2,048	\$ 6,865	\$ 8,913
Total Expenditures	\$ 215,078	\$ 247,913	\$ 1,023,701	\$ 1,486,692
Balance June 30, 2018	\$ -	\$ 74,215	\$ 5,916,758	\$ 5,990,973
Balance July 1, 2018	\$ -	\$ 74,215	\$ 5,916,758	\$ 5,990,973
Transfers In	\$ -	\$ 129,435	\$ 88,658	\$ 218,094
Revenues				
State Appropriations	\$ 246,712	\$ -	\$ -	\$ 246,712
Gifts	\$ -	\$ -	\$ 255,207	\$ 255,207
Investment/Endowment Income	\$ -	\$ -	\$ 91,779	\$ 91,779
Sales and Services Revenue	\$ -	\$ 2,721	\$ -	\$ 2,721
Indirect Cost Recovery	\$ -	\$ 21	\$ -	\$ 21
Total Revenues	\$ 246,712	\$ 2,742	\$ 346,986	\$ 596,440
Transfers Out	\$ -	\$ 118	\$ 82,577	\$ 82,695
Expenditures				
Financial Aid	\$ -	\$ 12,500	\$ 486,000	\$ 498,500
Salaries	\$ 240,724	\$ 191,216	\$ 172,945	\$ 604,885
Operations	\$ 11,114	\$ -	\$ 23,724	\$ 34,838
Travel	\$ 1,634	\$ -	\$ 2,463	\$ 4,097
Host Expense	\$ -	\$ 2,092	\$ 1,999	\$ 4,091
Total Expenditures	\$ 253,472	\$ 205,808	\$ 687,131	\$ 1,146,411
Balance November 30, 2018	\$ (6,760)	\$ 466	\$ 5,582,694	\$ 5,576,400

¹ Includes \$247,197 from the college's contingency reserve account and \$15,000 from the Student Government Development account.

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

Reno, Nevada
May 9, 2019

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

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

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