

GREAT BASIN COLLEGE  
GRANTS MANAGEMENT  
Internal Audit Report  
January 1, 2018 through December 31, 2018

GENERAL OVERVIEW

During the audit period, Great Basin College (GBC) had 54 active sponsored projects totaling approximately \$7.2 million. The awards were issued primarily for instructional purposes, such as trade, technical, and career education, adult basic education, and similar types of programs. The administration of sponsored projects involves personnel from the GBC Grants Office, Controller's Office, and the various college faculty and staff who are involved in the programs. The Grants Office is responsible for assisting faculty in soliciting awards, monitoring expenditure activity, effort and financial reporting, and providing overall guidance on sponsored projects to GBC faculty and staff. The Controller's Office is responsible for budgeting and vendor invoicing. GBC procedures require final review of sponsored project proposals to be reviewed and approved by the president.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of grants management at GBC for the period of January 1, 2018 through December 31, 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. Reviewing award files for required documentation.
2. Examining billing and reporting requirements.

3. Testing expenditures for supporting documentation, proper signature approvals, and allowance of costs as stipulated in the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).
4. Reviewing and testing indirect cost rates.
5. Reviewing and testing cost share requirements and effort reporting.
6. Testing equipment inventory for allowable cost, proper procurement and identification.
7. Reviewing close-out procedures.

In our opinion, we can be reasonably assured that the administration of grants and contracts at GBC is being performed in a satisfactory manner. However, implementation of the following recommendations would further improve this process.

### EFFORT REPORTING

The Uniform Guidance requires records of salaries and wages charged to awards to be supported by a system of internal control that provides reasonable assurance the charges are accurate, allowable, and properly allocated. We were informed the process followed by GBC to comply with this requirement is to complete effort reports on a monthly basis for employees who are paid from sponsored projects. We selected a sample of 12 awards and obtained a list of employees who were paid from the awards from the Grants Office. We then reviewed nine employees' effort reports for timely and accurate completion. We also examined all personnel expenditures charged to the 12 awards and compared the employees associated with the charges to the list of employees provided by the Grants Office. The following exceptions were noted.

1. Effort reports were not completed for one of nine employees tested.

2. Two of nine employee's effort reports were not completed and approved in a timely manner. As mentioned, GBC procedures require effort reports to be completed and approved on a monthly basis. For the employees noted, the reports were not completed in accordance with this standard. For instance, one of the employee's effort reports for the period of July through December 2018 were not completed and approved until February 2019. The other employee's effort reports for the period of November through December 2018 were not completed and approved until the end of February 2019.
3. During our review of personnel expenditures charged to the 12 awards, we noted 12 employees on Letter of Appointment (LOA) contracts for whom effort reports were not completed.

For items one through three, we recommend employees be reminded of the importance of completing effort reports and for completing the reports in a timely manner. We recommend a review of the employees' work histories, noted in items one and three above, be performed and that effort reports be completed as necessary. We also recommend the college consider reviewing the college's other active awards to determine whether personnel expenditures have been charged that have not been documented on an effort report.

### **Institution Response**

**GBC agrees with this audit finding and recommendation.**

- **The Vice President for Business Affairs has sent out a memo to all employees reminding them of the need to complete and have their supervisor approve effort reporting on a timely basis.**
- **The Grants Director will closely monitor personnel activity reports turned into their office to insure a timely reporting process.**
- **The Principal Investigator will be responsible and may be held accountable if the effort reporting on their grants are not completed by personnel and approved in a timely manner.**

## Follow-up response

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

## EXPENDITURES

We reviewed a sample of 48 expenditures that were charged to the 12 awards included in our audit sample. The transactions were reviewed for proper supporting documentation and approval, and compliance with the Uniform Guidance cost principles. Of the 48 transactions, no exceptions were noted with 43. The following exceptions were noted with the remaining five transactions.

1. On one occasion, a purchase order was completed “after the fact”, that is, after an invoice for an expenditure was received.

We recommend that purchase requisitions be completed and submitted to the Business Center North (BCN) Purchasing Department with required quotations in advance of purchases, as required.

## Institution Response

**GBC agrees with this audit finding and recommendation.**

- **The Vice President for Business Affairs has sent out a memo to all employees reminding them of the need to complete requisitions and other documents prior to receiving goods and services.**
- **The Grants Director and Grant Accountant will closely monitor transactions in Workday for violation of purchasing policies and procedures.**
- **The Principal Investigator will be responsible and may be held accountable if purchasing policies and procedures are not adhered to.**

## Follow-up response

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

2. For two transactions involving payments for independent contractor services, an independent contractor agreement form was not completed. The completion of the form should be done to help ensure individuals have been properly classified as contractors and are not employees.

We recommend independent contractor agreement forms be completed.

### **Institution Response**

**GBC agrees with this audit finding and recommendation.**

- **The Vice President for Business Affairs has sent out a memo to all employees reminding them to provide all backup documentation for transactions.**
- **The Grants Director and Grant Accountant will closely monitor transactions in Workday for adequate backup documentation.**
- **The Principal Investigator will be responsible and may be held accountable if required backup documentation is not completed.**

### **Follow-up response**

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

3. On one occasion, a travel expense included a hotel room charge incurred on the same day as the traveler's departing flight. We were informed the hotel was used to park a college vehicle in lieu of airport parking because it was less expensive to do so. It does not appear, however, that the room charge was more cost effective than airport parking.

We recommend that greater care be taken to ensure expenditures charged to sponsored projects are reasonable, as stipulated in the Uniform Guidance cost principles. We also recommend the grant be reimbursed for the cost of the hotel charge.

### **Institution Response**

**GBC agrees with this audit finding and recommendation.**

- **The Vice President for Business Affairs has sent out a memo to all employees reminding them to adhere to travel policies and procedures.**
- **The Principal Investigator, Grants Director, and Grant Accountant will closely monitor travel requests and transactions in Workday for adherence to policy.**
- **The Principal Investigator will be responsible and may be held accountable if policies and procedures are not followed.**

#### **Follow-up response**

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

4. On one occasion, the purchase of books was properly charged to the Materials and Supplies ledger account in Workday. However, we noted book purchases was incorrectly budgeted in the Participant Support ledger account in Workday. As a result, there is a significant budget deficit in the Materials and Supplies ledger account. There have been no Participant Support expenditures incurred.

We recommend the budget for the award be corrected.

#### **Institution Response**

**GBC agrees with this audit finding and recommendation.**

- **The Grants Director and Vice President for Business Affairs will review budget award setup for appropriate ledger accounts. The Grants Director will notify the Principal Investigator of the award budget ledger accounts used.**
- **The Grants Director, Grant Accountant, and Senior Accountant will closely monitor transactions in Workday for appropriate award ledger worktags.**
- **The Principal Investigator will be responsible and may be held accountable if proper spend categories and ledger accounts are not utilized.**

#### **Follow-up response**

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

## AWARD FILE REVIEW

For the 12 awards included in our audit sample, we reviewed the award files to determine whether documentation and other information such as the proposal, grant application, award letter or contract, award amount, budget, reporting requirements, and other records were available.

During this review, we noted documentation was not available for one award. According to college personnel, the award was received several years ago through the GBC Foundation, but no documentation could be located.

We recommend greater care be taken to ensure award documentation is collected and maintained.

### Institution Response

**GBC agrees with this audit finding and recommendation.**

- **The Grants Director and Senior Accountant will maintain all appropriate documents for new awards.**
- **The Grants Director and Senior Accountant will work together to maintain appropriate award files.**
- **The Vice President for Business Affairs will be responsible and may be held accountable if proper files and documentation are not maintained.**

### **Follow-up response**

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

For one other award, we noted the budget documentation on file did not agree with the budget that was entered in Workday. We also noted total expenditures charged to the award exceeded the budget by \$103,000. It appears the reason for the deficit, other than the discrepancy noted, is that the budget in Workday was created based on only one year of funding. It does not include previous years' funding received from the sponsor.

We recommend the budget for the award be corrected so that the financial information contained in Workday is accurate.

### **Institution Response**

**GBC agrees with this audit finding and recommendation.**

- **The Grants Director and Vice President for Business Affairs will maintain accurate budgets and backup documentation for new awards.**
- **The Grants Director, Vice President for Business Affairs, and Senior Accountant will work together to maintain appropriate award budgets.**
- **The Vice President for Business Affairs will be responsible and may be held accountable if proper files and documentation are not maintained.**

### **Follow-up response**

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

### **CASH MANAGEMENT**

Sponsored project awards are typically paid by the granting agencies on a cost reimbursement basis. This means the agencies do not disburse funds until after an invoice is received from GBC reflecting expenditures incurred by the college. We reviewed the billing requirements for the 12 awards included in our audit sample to determine whether invoices were submitted in a timely manner. If no such requirements were specified by the grantor, the review was based on those established by the college. We also examined invoices to ensure they agreed with the actual amount of expenditures incurred.

During this review, we noted invoices for three awards were not submitted to the grantor in a timely manner. For one of these awards, an invoice has not been issued since the grant was opened in 2017. According to the grantor, invoices can be submitted as often as needed. Total expenditures charged to the project as of the end of the audit period was approximately \$31,000.

For two other awards, invoices were either issued quarterly instead of monthly or were not consistently issued on a monthly basis as required by the grantors.

To help ensure costs are recovered in a timely manner and as a best practice, we recommend invoices be submitted consistently and in accordance with the grantor's and/or the college's requirements.

### **Institution Response**

**GBC agrees with this audit finding and recommendation.**

- **The Senior Accountant will maintain a billing calendar for all awards noting grantor requirements for submission of cash reimbursement.**
- **The Vice President for Business Affairs and Senior Accountant will work together to adhere to the billing schedules in light of limited staffing, competing priorities, cash flow demands and timely review of billings/expenditures by the Principal Investigator.**
- **The Vice President for Business Affairs will be responsible and may be held accountable if billings are not completed in a timely manner. In addition, the Principal Investigator may be held accountable if billings are not submitted in a timely manner due to their untimely response for review.**

### **Follow-up response**

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

### **PROCEDURES**

#### *Grant Procedures*

We reviewed the controls over the administration and management of grants and contracts at GBC. As part of this review, we examined two sections of the GBC Policies and Procedures manual: "Grants: Development & Implementation" and "Grants: Financial Procedures". We noted these sections have not been updated since 2010 and 2015, respectively. As a result, some information is not current. This includes procedures for completing effort

reports and some financial processes that have not been updated since the Workday system was implemented.

### *Procurement Procedures*

The Uniform Guidance requires entities to establish documented procurement standards that address specified areas such as competition, methods of procurement, small and minority business, and other areas. In reviewing the procurement standards established by the college, as documented in the “Purchasing” section of the GBC Policies and Procedures manual, the procedures were generally in compliance with the Uniform Guidance. However, we noted the policies have not been updated since 2012. As a result, some of the information related to procurement dollar thresholds are not current and do not match the thresholds contained in the BCN purchasing policies. In addition, the requisition procedures do not reflect those followed in the Workday system.

We recommend the above three sections of the GBC Policies and Procedures manual be reviewed and updated, as necessary, to reflect current practice.

### **Institution Response**

**GBC agrees with this audit finding and recommendation.**

- **The Grants Director is currently working on updating GBC’s Policies and Procedures.**
- **The Grants Director will review GBC’s Policies and Procedures on an annual basis.**
- **The Grants Director will be responsible and may be held accountable if policies and procedures are not kept up to date.**

### **Follow-up response**

**Policies and Procedures, based upon the recommendation, have been reviewed and updated.**

## AWARD CLOSE OUT

Six of 12 awards included in our audit sample had end dates that occurred during the audit period. However, none of the six award accounts were closed in Workday. We were informed GBC staff has not received training on how to perform this function. Completing this step would provide improved control by preventing expenditures from being charged to closed accounts, which will improve the grants administration process.

We recommend GBC staff obtain close out training from System Computing Services or other NSHE institution personnel with knowledge of this function.

### Institution Response

**GBC agrees with this audit finding and recommendation.**

- **The Vice President for Business Affairs has obtained documentation on how to close awards in Workday and will close old awards as appropriate.**
- **The Vice President for Business Affairs will work with Grants Director to close out awards on an annual basis.**
- **The Vice President for Business Affairs will be responsible and may be held accountable if awards are not closed in a timely manner.**

### **Follow-up response**

**Awards, based upon the recommendation, have been reviewed and closed out as appropriate.**

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

Reno, Nevada  
June 27, 2019

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

Stefania Pacheco  
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:** Stefania Pacheco, Senior Internal Auditor

**FROM:** Sonja Sibert, Vice President for Business Affairs

**SUBJECT:** Audit Response for Great Basin College Grants Management Internal Audit, January 1, 2018 to December 31, 2018

**DATE:** January 19, 2020

<b>Nbr</b>	<b>Finding</b>	<b>Agree</b>	<b>Implemented</b>	<b>Est Date of Completion</b>
1	<b>Effort Reporting</b> Effort Reporting not completed or not completed on a timely bases	Yes	Yes	
		Yes	Yes	
2	<b>Expenditures</b> Purchase order completed after the fact	Yes	Yes	
3	Independent Contractor agreement not completed	Yes	Yes	
4	Travel not in accordance with policy	Yes	Yes	
5	Mismatch of ledger accounts and spend categories between budget and actuals	Yes	Yes	
6	<b>Award File Review</b> Missing award documentation	Yes	Yes	
7	Budget documentation did not match award budget in Workday	Yes	Yes	
8	<b>Cash Management</b> Billing for cash reimbursement not done in accordance with grantor's requirements	Yes	Yes	

9	<p><b>Procedures</b> GBC policies and procedures manual be reviewed and updated</p>	Yes	Yes	
10	<p><b>Award Close Out</b> Close completed awards in Workday .</p>	Yes	Yes	