

Nevada System of Higher Education

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MEMORANDUM

Date: April 10, 2023

To: Daniel L. Crossman, Legislative Auditor

From: Dale A.R. Erquiaga, Acting Chancellor

Re: NSHE Response to the 2022 Performance Audit of Self-Supporting and Reserve Accounts

INTRODUCTION

Thank you for the opportunity to respond to the 2022 Performance Audit findings. The Nevada System of Higher Education (NSHE) appreciates that the intent of this audit was to assess compliance with NSHE policies and procedures as well as with legislation and regulations established by the State of Nevada, and to provide recommendations on how NSHE can improve compliance within its operations.

We understand the value of the audit as it identified deficiencies that need to be addressed, opportunities for improvement to enhance accountability and operational management, and areas where differences in interpretation of the guidance or expectations may exist. NSHE has begun work to address the findings in the audit related to self-supporting and reserve accounts.

Pursuant to LCB requirements, we are submitting a 60-day response, followed by a final report in October. This document contains our initial responses/actions and the 60-day response. As discussed in January, I will appoint three NSHE committees, including external representatives, to advise on recommended actions over the next six months. We expect to bring any necessary policy changes to the Board in June and/or September.

Below are the Legislative Counsel Bureau audit recommendations and NSHE's related responses.

RECOMMENDATIONS AND RESPONSES

Recommendation 1: Develop policies over the transfer of expenditures between state-supported and self-supporting accounts at any time of the year. The Board should determine whether transactions that modify approved spending by crossing expense categories are acceptable, or if additional monitoring and oversight are warranted.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE is in the process of working with appropriate, representative staff to develop policies to define the allowable transfers of expense throughout the year between state-supported and self-supporting accounts, and will seek approval or direction from the Board for additional monitoring or oversight.

Sixty Day Response: In Progress

Board of Regents *Handbook*, Title 4, Chapter 9, Section C, Subsection 2 – Financial Policies, will be revised to include more detailed policies on transfers of expenditures between state-supported and self-supporting accounts including which expense categories are acceptable and the monitoring that will be performed.

In addition to modifying some of the current language, the revisions include adding a “definition” and “reporting and monitoring” section within the policy where applicable. This helps provide more clarity, better defines the reports that need to be provided, and identify who is responsible for oversight.

Recommendation 2: Develop systemwide monitoring controls over transfers between state-supported and self-supporting accounts to ensure policies are followed.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE is in the process of working with appropriate, representative staff to develop monitoring controls over transfers between state-supported and self-supporting accounts to ensure policies are followed.

Sixty Day Response: In Progress

Board of Regents *Handbook*, Title 4, Chapter 9, Section C, Subsection 2 – Financial Policies, will be revised to include more detailed monitoring practices for transfers of expenditures between state-supported and self-supporting accounts including adding a “reporting and monitoring” section within the policy that helps provide more clarity, identifies the reports that need to be submitted, and identifies who is responsible for oversight.

Recommendation 3: Implement controls, including monitoring activities, that would prevent or detect inappropriate financial activity to ensure compliance with state funding requirements and applicable laws.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE is in the process evaluating preventative and/or detective controls over financial activities to ensure compliance with funding requirements and applicable laws. This evaluation will range from transaction initiation through approval to ensure appropriations are used for intended purposes, as well as increased guidance on transfers of expenses and the reversion of state appropriations.

Sixty Day Response: In Progress

NSHE has begun a review of all business operation policies and practices. This will be a long-term project to address the prevention and detection of inappropriate financial activity and ensure compliance with state funding requirements and applicable laws.

Recommendation 4: Revise Board policies regarding student fees to clarify Board intentions regarding acceptable and unacceptable uses of each student fee, including eliminating ambiguity and adding definitions where necessary.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to seek Board approval or direction regarding policy revisions for student fees that would clarify Board intentions regarding acceptable (and unacceptable) uses of each student fee, adding definitions where necessary and appropriate.

Sixty Day Response: In Progress

Board of Regents *Handbook*, Title 4, Chapter 10, Section 12, 13, 14, 15, 16, 17, 18, 19 and NSHE Procedures and Guidelines Manual, Chapter 7 Fees and Tuition, will be revised to clarify Board intentions regarding acceptable and unacceptable uses of each student fee, including eliminating ambiguity and adding definitions where necessary.

Recommendation 5: Develop Board policies over commingled revenue sources to ensure restricted funds are separated from other sources of revenue or spending of restricted revenues is tracked to ensure funds are used for intended purposes.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to develop policies over commingled revenue sources to ensure restricted funds are separated from other sources of revenue, or spending of restricted revenues can be tracked to ensure funds are used for intended purposes.

Sixty Day Response: In Progress

A policy will be added to the Board of Regents *Handbook*, Title 4, Chapter 9, Section 2 – Financial Policies, will be revised to ensure restricted funds can be tracked appropriately. This may include separating them from other sources when necessary. There may be cases where this is not always necessary. For example, if an account is set up to monitor one purpose regardless of the source of funds and restricted funds are provided for that purpose then the commingling of sources in one account is appropriate. If that is not the case, then the restricted funds will be tracked separately.

Recommendation 6: Revise Board policies adding clarification over student fee reporting to request appropriate detail, adequately oversee institution operations, and ensure compliance with policy intent.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to seek Board approval or direction regarding policy revisions to add clarification over student fee reporting to request appropriate amount of detail, to provide adequate oversight of institution operations, and to ensure compliance with policy intent.

Sixty Day Response: In Progress

NSHE Procedures and Guidelines Manual Chapter 7, Section 7 Special Fee Approvals, will be revised to include a reporting section that addresses how to request approvals going forward. The process will be changed to add more transparency. The report will be provided in the following sections:

- Fees fully eliminated
- Fees with no changes
- Existing fees with increase requests
- Existing fees with decrease requests
- New Fees

In addition, the fee balance for yearend will be included in the report.

Board of Regents *Handbook*, Title 4, Chapter 10, Section 19, Fee Account Balances, will be revised adding clarification and appropriate detail. The current policy only allows the carry forward of no more than one year collection of fees with exceptions for anticipated capital, residence life operations, and equipment expenditures requiring a multi-year carry-forward. In the past the Board was provided a high-level summary report that identified whether the institutions were generally in compliance. Only aggregates offenders were pointed reported. Going forward, a summary report will be provided along with details on all program out of compliance or programs that have approved exceptions. The backup detail of the summary report will be provided to System Administration to ensure institutions report consistent and accurate information.

Recommendation 7: Develop controls over reporting systemwide and at the institutions to ensure accuracy, completeness, and consistency.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE is in the process of working with appropriate, representative staff to develop or enhance controls over reporting systemwide and at the institutions to ensure accuracy, completeness and consistency.

Sixty Day Response: In Progress

NSHE has begun a review of all business operation policies and practices. This will be a long-term project to address accuracy, completeness, and consistency.

Recommendation 8: Revise student fee reporting templates and provide written instructions to ensure institutions report consistent and accurate information.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE is in the process of working with appropriate, representative staff to revise student fee reporting templates, including written instructions to ensure institutions report on a consistent basis with accurate information.

Sixty Day Response: In Progress

Board of Regents *Handbook*, Title 4, Chapter 10, Section 19, Fee Account Balances, will be revised adding clarification and appropriate detail. The current policy allows the carry forward of no more than one year collection of fees with exceptions for anticipated capital, residence life operations, and equipment expenditures requiring a multi-year carry-forward. In the past the Board was provided a high-level summary report that identified whether the institutions were generally in compliance. Only aggregates offenders were pointed reported. Going forward, a summary report will be provided along with details on all program out of compliance or programs that have approved exceptions. The backup detail of the summary report will be provided to System Administration to ensure institutions report consistent and accurate information.

Recommendation 9: Create Board policies over reserve and contingency accounts, including the account's purpose, development of target balances, appropriate funding sources and uses, appropriate approval levels, and monitoring and reporting requirements. Policy should define the difference between reserve and contingency accounts and the appropriate funding, uses, and approvals for each.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to seek Board approval or direction regarding policies over reserves and contingency accounts, including appropriate definitions, funding, uses and approvals. This will include the account's purpose, target balances and appropriate funding sources and uses. In addition, compliance will be measured through appropriate approval documentation, and development of monitoring and reporting requirements.

Sixty Day Response: In Progress

A policy will be created and added to the Board of Regents *Handbook*, Title 4, Chapter 9, Section C, Subsection 2.

Recommendation 10: Develop systemwide monitoring controls over reserve and contingency accounts to ensure policies are followed.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to develop or enhance system-wide monitoring controls over reserve and contingency accounts to ensure compliance with policy.

Sixty Day Response: In Progress

A policy will be created and added to the Board of Regents *Handbook*, Title 4, Chapter 9, Section C, Subsection 2.

Recommendation 11: Revise Board policies to define “self-supporting” programs so Board intent is clear.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to seek Board approval or direction regarding policy revisions to define self-supporting programs in line with Board intent.

Sixty Day Response: In Progress

A policy will be created and added to the Board of Regents *Handbook*, Title 4, Chapter 9, Section C, Subsection 2.

Recommendation 12: Evaluate student fee funded and other self-supporting programs that contain a high balance and determine whether fees should be reduced, or funds redirected accordingly.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to evaluate student fee and self-supporting program fund balances and determine where adjustments should be made. A new policy may be developed to document this review and ensure a periodic and continuous process.

Sixty Day Response: In Progress

NSHE Procedures and Guidelines Manual, Chapter 7, Section 7 Special Fee Approvals, will be revised as noted in recommendation 6. This will be used to evaluate whether a fee can be reduced.

A new report for self-supporting budgets with high balances will be developed and added to policy manual. The policy will define high balances.

Recommendation 13: Develop Board policies regarding the carrying, monitoring, and reporting of non-student fee funded self-supporting programs with high balances.

Initial Response: NSHE agrees with and accepts this recommendation.

NSHE will work with appropriate, representative staff to seek Board approval or direction regarding policy development regarding the carrying, monitoring and reporting of non-student fee funded self-supporting programs with large balances.

Sixty Day Response: In Progress

A new report for non-student fee funded self-supporting programs with high balances will be developed and added to policy manual. The policy will define high balances.

CONCLUSION

We look forward to reporting detailed improvements surrounding these recommendations in the future and will keep you apprised should there be any deviation from our expectations.

DRAFT