

UNIVERSITY OF NEVADA, RENO  
COOPERATIVE EXTENSION  
Internal Audit Report  
July 1, 2021, through December 31, 2022

GENERAL OVERVIEW

The University of Nevada Cooperative Extension (UNCE) is the outreach program of the university that is designed to bring university research and knowledge to the state of Nevada. Through its 18 county office locations, UNCE staff delivers knowledge to communities in the areas of agriculture, horticulture, finance and business, natural resources, personal and family development, health and nutrition and 4-H activities. UNCE falls administratively under the university's College of Agriculture, Biotechnology, and Natural Resources (CABNR). UNCE has a staff of over 250 and an annual operating budget of approximately \$22 million.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the UNCE for the period of July 1, 2021 through December 31, 2022. The primary purpose of this review was to determine the extent to which the recommendations from the prior audit, conducted for the period of July 1, 2016 to September 30, 2017, were implemented.

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 annual reports that are completed by the various county offices to determine whether a consistent format has been implemented.
2. Reviewing the cash handling procedures that are followed by the county offices.

3. Testing expenditures for reasonableness, supporting documentation, approval, and compliance with purchasing policies with a focus on travel expenditures.
4. Reviewing inventory procedures and controls related to firearms.
5. Reviewing policies and documentation related to UNCE recharge centers.

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

### 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. In the previous audit, the balance of one reserve account was \$12.7 million as of June 30, 2017, which was considered excessive. A recommendation was made for UNCE administration to develop a long-term plan to reduce the balance through the development of new programs or expanding existing programs in the county. During our follow-up, we noted the balance of the account increased to \$14.2 million as of June 30, 2022. We were also informed that after the last audit a spend down plan was developed by UNCE as recommended, however, due to Covid and increases in property tax revenues, the increase in programs was not enough to reduce the reserve balance.

We recommend that UNCE administration continue to look at ways of reducing the balance through the development and expansion of programs within the county.

**Institution Response**

- **The Director of UNCE will continue to work with the UNCE Southern Area Director, and other stakeholders, to have 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.**
- **The plan will identify new programs or opportunities to enrich the citizens of Clark County and 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.**

**Follow-up Response: The corrective action has been implemented and continues to be monitored for further reductions. Specifically, a strategic plan was developed and implemented that reduced the Clark County fund balance by \$1.7M. An additional plan is being implemented to begin spending an additional \$7.3 million in FY25 and FY26. Extension is reducing the balance by making additional investments in the following areas:**

- **UNR Extension/UNLV partnerships**
- **Supporting CCSD through k-12 programming**
- **Combatting food insecurity and hunger**
- **Increase faculty and staff**
- **Increase research, program and office space**
- **Expanding our new 4-H Camp in Alamo**

2. In the previous audit, it was noted that a policy had not been developed to address the amount of funding 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 unexpected 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. During our follow-up, we were informed the county extension offices have made agreements with their respective counties that address the minimum amount of funding to be retained but there is no guidance regarding maximum levels.

We recommend the agreements that have been developed with the counties be updated to include the maximum amount of funds that should be retained in the reserve accounts. In doing so, we continue to recommend the methodology for calculating the reserve balance range (maximum and minimum balance) be documented and take into consideration the economic circumstances affecting each county. We also recommend that UNCE and CABNR administration review the account balances at least annually to help ensure compliance with the agreed upon ranges.

#### **Institution Response**

**We agree with the recommendation and will take the following action:**

- **Working with the counties, we will develop a minimum and maximum fund balance calculation method in each county.**
- **If a maximum fund balance is reached a will be developed, reviewed and approved by the Area Director and Director of Extension.**
- **The Area Directors will be responsible for maintaining the county fund balances as outlined by county.**

**Follow-up Response: The Extension and county leadership work in partnership each year to establish the plans and budgets to meet program objectives and needs of each county. Some counties require a multi-year plan to achieve specific program goals and thus may need a higher fund balance to serve long term needs. The minimum reserve balances and maximum needs are evaluated, documented, and a continuous process. County fund balances are reviewed quarterly by the Fiscal Officer, Area Directors, Extension Director and the Dean of CABNR.**

## EXPENDITURES

The Internal Audit Department reviewed a sample of 26 expenditures that were charged to UNCE during the audit period. The sample included 18 operating and eight travel expenditures. The transactions were examined for proper supporting documentation, approval, reasonableness, and compliance with established purchasing and other required procedures. Of the 26 expenditures, the following exceptions were noted.

1. On one occasion, an employee combined university business and personal travel. The business purpose of the trip was to attend a work-related conference. We noted the cost to the university, for both airfare and car rental, increased due to the combined travel which is in violation of university policy. In addition, the employee was reimbursed for a gasoline charge that was incurred prior to the conference and a meal per diem that would not have occurred if the travel was not combined.

We recommend that when business and personal travel is combined, greater care be taken by the employees submitting the reimbursement request as well as those reviewing and approving the request to help ensure the university does not incur additional charges. Any expenses that are above what the university would be required to pay should be the responsibility of the employee. We also recommend the university consider collecting the amount of the over reimbursement.

### Institution Response

**The employee and the person who submitted the expense report were contacted to discuss the expense report in question. The airfare was an estimate and used for the spend authorization but fares increased by the time the actual flight was taken. A rental car was used because the conference was in Greenville but the flight landed in Charleston. The gasoline charge was legitimate in the fact that the employee attended pre-conference professional networking trips. All of these findings above could have been avoided if there was more descriptive narrative in the comment section of the expense report submitted. In response,**

- **We have reached out to the individual who took the trip and the person who submitted the expense report to use more descriptive comments going forward that will explain in detail any expenses that may not clear or ambiguous. An email from the Fiscal Officer was sent on 11/15/23 and the individuals did respond back the same day that they understand and will be more thorough in the details going forward.**
- **This audit finding was part of the discussion with the Finance Team at their monthly Finance meeting so more care will be taken when reviewing and approving expense reports.**
- **The Fiscal Officer and Fiscal Managers are responsible for reviewing expense reports and will exercise more care when reviewing and approving expense reports.**

**Follow-up Response: The corrective action has been fully implemented.**

2. Two travel expenditures included hotel charges that exceeded the General Services Administration (GSA) lodging rate. The rate exceptions were not noted on either the Spend Authorization or the Expense Report that were approved for the travel.

We recommend that when lodging rates exceed the allowable GSA rate, travelers be required to submit documentation indicating that a rate exception has occurred. This could be documented on the Spend Authorization and/or Expense Report, or as a memo attached to either of these documents. If no such documentation is provided, we recommend lodging be limited to the established rate.

#### **Institution Response**

**Both of these expenses were for conference hotels but this was not noted in the comments of the expense reports and spend authorizations.**

- **We have discussed this with the individuals to include in the comments that this was for a conference hotel. An email from the Fiscal Officer was sent on 11/15/23 to the individuals and they will include going forward.**
- **This audit finding was part of the discussion with the Finance Team at their monthly Finance meeting so more care will be taken when reviewing and approving expense reports.**
- **The Fiscal Officer and Fiscal Managers are responsible for reviewing expense reports and will exercise more care when approving.**

**Follow-up Response: The corrective action has been fully implemented.**

3. On one occasion, an employee procured a rental car while staying at a conference hotel. The cost of the rental car was \$672 and an additional \$84 for parking. The supporting documentation included with the employee's Expense Report does not indicate a need for the rental car while attending the conference, as required by UNR policy.

We recommend justification for rental cars be provided in accordance with policy.

**Institution Response**

**This finding is related to the finding for #1 involving combining personal and business travel. The individual flew into Charleston but the conference was in Greenville. This was not detailed in the expense report.**

- **We have reached out to the individual who took the trip and the person who submitted the expense report to use more descriptive comments going forward that will explain in detail any expenses that may not clear or ambiguous. An email from the Fiscal Officer was sent on 11/15/23 and they did respond back the same day that they understand and will be more thorough in the details going forward.**
- **This audit finding was part of the discussion with the Finance Team at their monthly Finance meeting so more care will be taken when reviewing and approving expense reports.**
- **The Fiscal Officer and Fiscal Managers are responsible for reviewing expense reports and will exercise more care when approving.**

**Follow-up Response: The corrective action has been fully implemented.**

4. On two occasions, the anticipated travel costs submitted by employees as documented on the Spend Authorization, were significantly understated when compared to the actual expenses that were subsequently submitted. For one of these, the quotation of charges for airfare and rental car were considerably less than the actual expenses. The second only

listed airfare expenses and omitted costs for lodging, transportation and other expenses such as per diem.

We recommend employees be reminded to complete Spend Authorizations thoroughly to provide those reviewing and approving the travel with an accurate cost.

**Institution Response**

- **Not including all costs on the spend authorization was discussed with both the persons being reimbursed and the persons who actually submitted the spend authorizations. They are aware that all costs for the trip should be included to accurately show what the total cost will be.**
- **This audit finding was part of the discussion with the Finance Team at their monthly Finance meeting so more care will be taken when reviewing and approving spend authorizations.**
- **The Fiscal Officer and Fiscal Managers are responsible for reviewing expense reports and will exercise more care when approving.**

**Follow-up Response: The corrective action has been fully implemented.**

5. On one occasion, an employee used a personal vehicle for a trip greater than 200 miles.

According to UNR policy, a State Motor Pool or rental vehicle should be used for trips greater than 200 miles unless use of a personal vehicle is specifically authorized in writing by the employee's supervisor. No such documentation was included with the supporting documentation.

We recommend university policy be followed.

**Institution Response**

- **We reached out to the individual for clarification. He informed me that all the field vehicles were being used and not available. He needed a four-wheel drive vehicle as he had to review range ecological conditions while he was travelling. We also included his admin support who actually submits the expense report so they are also aware. While the reason for taking his personal four-wheel drive is valid, it should have been included in the details.**



- **This audit finding was part of the discussion with the Finance Team at their monthly Finance meeting so more care will be taken when reviewing and approving spend authorizations.**
- **The Fiscal Officer and Fiscal Managers are responsible for reviewing expense reports and will exercise more care when approving.**

**Follow-up Response: The corrective action has been fully implemented.**

6. On one occasion, an Expense Report was submitted by an employee for reimbursement of expenses while traveling to a conference. We noted information about the conference, such as a flyer or agenda, was not included in the supporting documentation.

We recommend employees be reminded to attach conference agendas to Expense Reports.

This will enable those reviewing and approving these transactions to determine whether proper meal per diems were claimed and reimbursed.

**Institution Response**

- **The employee and his Admin were contacted so they are also aware that an agenda needs to be included in the support documentation.**
- **This audit finding was part of the discussion with the Finance Team at their monthly Finance meeting so more care will be taken when reviewing and approving spend authorizations.**
- **The Fiscal Officer and Fiscal Managers are responsible for reviewing expense reports and will exercise more care when approving.**

**Follow-up Response: The corrective action has been fully implemented.**

7. On one occasion, an expenditure exceeding \$5,000 was not processed through the purchase requestion/purchase order process as required.

We recommend established purchasing policies be followed.

### **Institution Response**

- **Employee has been made aware that any expense over \$5,000 has to have a purchase order and not to use a supplier invoice. This was an oversight on the employee side. This was also not caught upon approval.**
- **This audit finding was part of the discussion with the Finance Team at their monthly Finance meeting so more care will be taken when reviewing and approving payments within Workday.**
- **The Fiscal Officer and Fiscal Managers are responsible for reviewing supplier invoices and will exercise more care when reviewing and approving.**

**Follow-up Response: The corrective action has been fully implemented.**

## CASH CONTROLS

The UNCE county offices collect proceeds from the sale of publications and related cooperative extension materials. In the previous audit it was recommended that UNCE create and distribute universal cash handling procedures for use within the county offices. We confirmed the procedures were developed; however, they do not correctly address the process by which deposits are currently made at a local bank branch.

We recommend the procedures be updated to clarify how local deposits are to be prepared and documented.

### Institution Response

- **The existing policy will be updated to include how to deposit funds at their locality.**
- **The updated policy will be discussed with the Finance team and then sent to all Extension Employees.**
- **The Extension Fiscal Officer will be responsible for the updated policy and sending to all Extension staff.**

**Follow-up Response: The corrective action has been fully implemented.**

## RECHARGE

In the prior audit, we recommended that recharge procedures be developed to help improve the administration of this function within UNCE. We recommended the procedures describe the methodology by which recharge rates are to be prepared and supported, require rates to be established and consistently applied for all goods and services assessed by the recharge center, require appropriate supporting documentation when recharge transactions occur, and require updates to previously submitted rates when changes occur. During our follow-up, we confirmed that recharge procedures were developed for each of the three UNCE recharge

centers, however one set of procedures was not completed until fiscal year 22-23. The procedures were reviewed for completeness and the following exception was noted.

1. Two of the recharge policies do not contain information regarding the date and supporting documentation requirements for submitting recharge rates.

We recommend that the recharge policies be updated to include information on what documentation should be included in establishing the rates as well as with the payment requests.

**Institution Response**

- **The existing Recharge Policy will be updated to include due dates and what supporting documentation is required.**
- **The updated policy will be discussed with the Finance team and the departments responsible for the recharge accounts.**
- **The Extension Fiscal Officer will be responsible for the updated policy and discussing with departments.**

**Follow-up Response: The corrective action has been fully implemented.**

**COUNTY REPORTING**

The county extension offices produce annual reports on their webpages that highlight the programs and accomplishments relative to each county office. In the previous audit, it was noted that the reports vary in the type of information and level of detail that is provided. A recommendation was made that a standardized report format be developed and utilized by all counties so the information is presented in a consistent manner. During our follow-up, it was confirmed a standardized format was developed and that it was to be used by all counties. The report includes information on programs offered, fiscal data, and a standardized “Address Block” with office contact information. We subsequently reviewed each of the county web pages and

noted an annual report was not included on the web pages of 10 counties, 15 reports did not include the “Address Block”, and eight reports did not include fiscal information.

We recommend that additional training be provided to the county extension offices to help ensure the standard report format is followed and posted as required. We also recommend the annual reports be reviewed by UNCE administration to determine whether the proper format was used.

#### **Institution Response**

- **An email is sent to all the county offices typically at the end of September as a reminder that annual county reports are due to be added to the website. This email contains instructions and includes a template. Extension will continue to send the instructions annually for the county offices to follow.**
- **The county reports will be reviewed to insure consistency among the counties and that the standard format is being followed.**
- **The Northern and Southern Area Directors will be responsible for reviewing the county reports.**

**Follow-up Response: The corrective action has been fully implemented.**

#### **STATEMENT OF REVENUES AND EXPENDITURES**

The statement of revenues and expenditures provided below is based on the activity of the 33 state, 236 self-supporting, 172 grant and 31 gift accounts that has been assigned to UNCE. The revenue and expenditure information was obtained from Workday and is provided for informational purposes only.

	State Accounts	Self - Supporting Accounts	Gift Accounts	Grant Accounts	Total
Balance July 1, 2021	\$ -	\$ 4,654,234	\$ 10,963	\$ 2,648,174	\$ 7,313,371
Transfers In	-	86,631	-	-	\$ 86,631
<b>Revenues</b>					
F & A Revenue	-	175,452	-	732,074	907,526
Misc Sales/Service	-	313,735	-	7,326	321,061
Other	-	325,167	-	(3,095) <sup>2</sup>	322,072
Registration Fees	-	76	-	-	76
Gifts	-	-	295,998	-	295,998
Federal Grants & Contracts Restricted	-	148	-	6,456,808	6,456,956
State Grants & Contracts Restricted	-	-	-	142,780	142,780
Local Grants & Contracts Restricted	-	-	-	11,520	11,520
Private Gifts, Grants & Contracts Restricted	95	86	-	344,023	344,204
State Appropriations	3,658,828	-	-	-	3,658,828
County Funds	640,569	9,584,851	-	-	10,225,420
Proceeds from Business Asset Sales	-	11,278	-	-	11,278
<b>Total Revenues</b>	<b>4,299,492</b>	<b>10,410,793</b>	<b>295,998</b>	<b>7,691,436</b>	<b>22,697,719</b>
Transfers Out	-	508,677 <sup>1</sup>	-	1,634	510,311
<b>Expenditures</b>					
Salaries	3,649,239	7,390,500	155,455	5,182,916	16,378,110
Travel	66,120	106,411	13,722	151,038	337,291
Host	-	28,568	2,456	368	31,392
Internal Sales & Services	-	-	-	-	-
Operations	736,785	1,825,018	123,570	683,950	3,369,323
Other Non Operating Expense	-	317	-	-	317
Sales & Service Recharge	-	(187,820)	-	(25)	(187,845)
Tuition and Fees	-	9,002	-	10,194	19,196
Sub Award External	-	-	-	157,487	157,487
Sub Award NSHE	-	-	-	1,483	1,483
Participant Support	-	-	-	11,223	11,223
F&A Expense	-	-	-	736,176	736,176
Equipment	39,640	465,663	-	4,038	509,341
Building Improvement	7,801	10,570	-	1,199	19,570
<b>Total Expenditures</b>	<b>4,499,585</b>	<b>9,648,229</b>	<b>295,203</b>	<b>6,940,047</b>	<b>21,383,064</b>
Balance June 30, 2022	\$ (200,093) <sup>3</sup>	\$ 4,994,752	\$ 11,758	\$ 3,397,929	\$ 8,204,346

	State Accounts	Self- Supporting Accounts	Gift Accounts	Grant Accounts	Total
Balance July 1, 2022	\$ -	\$ 4,994,752	\$ 11,758	\$ 3,397,929	\$ 8,404,439
Transfers In	-	147,264	-	-	147,264
Revenues					
F & A Revenue	-	146,270	-	641,906	788,176
Misc Sales/Service	-	327,637	-	5,721	333,358
Other	-	370,141	86	584	370,811
Registration Fees	-	-	-	-	-
Gifts	-	-	168,973	-	168,973
Federal Grants & Contracts Restricted	-	-	-	5,328,547	5,328,547
State Grants & Contracts Restricted	-	-	-	151,435	151,435
Local Grants & Contracts Restricted	-	-	-	3,997	3,997
Private Gifts, Grants & Contracts Restricted	-	-	-	162,599	162,599
State Appropriations	3,361,325	-	-	-	3,361,325
County Funds	422,717	8,827,926	-	-	9,250,643
Proceeds from Business Asset Sales	-	-	-	-	-
Total Revenues	3,784,042	9,671,974	169,059	6,294,789	19,919,864
Transfers Out	-	319,124	-	-	319,124
Expenditures					
Salaries	2,842,813	7,217,395	107,725	4,144,578	14,312,511
Travel	84,632	169,768	7,584	174,055	436,039
Host	-	58,400	1,944	5,499	65,843
Internal Sales & Services	-	-	-	-	-
Operations	636,908	2,586,362	93,672	576,681	3,893,623
Other Non Operating Expense	-	43	561	-	604
Sales & Service Recharge	-	(203,698)	-	(1)	(203,699)
Tuition and Fees	-	7,638	-	-	7,638
Sub Award External	-	-	-	51,311	51,311
Sub Award NSHE	-	-	-	10,061	10,061
Participant Support	-	-	-	31,605	31,605
F&A Expense	-	-	-	641,906	641,906
Equipment	19,238	636,612	11,020	20,352	687,222
Building Improvement	-	15,944	-	(1,199)	14,745
Total Expenditures	3,583,591	10,488,464	222,506	5,654,848	19,949,409
Balance December 31, 2022	\$ 200,451	\$ 4,006,402	\$ (41,689) <sup>3</sup>	\$ 4,037,870	\$ 8,203,034

1. Majority of the amount relates to a transfer of departmental funds for a building project (\$391,000) and the purchase of a new passenger van (\$30,000).
2. Correction of a posting in FY21.
3. The deficit balances are due to the timing of revenues being collected on a reimbursement basis which causes an expense to be posted prior to the revenue being received.

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

Reno, Nevada  
August 15, 2023

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