

Audit Highlights



Highlights of Legislative Auditor report on the University and Community College System of Nevada's (UCCSN) Costs of Administration, Athletics, and Host Accounts issued January 6, 2005. Report #LA04-21.

Background

The Constitution of the State of Nevada provides for the establishment of a state university to be controlled by an elected Board of Regents. Thirteen Regents elected to six-year terms set policies and approve budgets for the University and Community College System of Nevada (UCCSN). The System is administered by a Chancellor who is responsible for administrative leadership and overseeing the presidents of the following eight institutions.

- University of Nevada, Las Vegas (UNLV)
- University of Nevada, Reno (UNR)
- Desert Research Institute (DRI)
- Nevada State College at Henderson (NSC)
- Community College of Southern Nevada (CCSN)
- Great Basin College (GBC)
- Truckee Meadows Community College (TMCC)
- Western Nevada Community College (WNCC)

UCCSN is supported by state appropriations, gifts, grants, and self-generated revenues. UCCSN revenues and expenditures amounted to nearly \$1 billion in fiscal year 2003. State appropriations accounted for about 40% of the total funding in fiscal year 2003.

Purpose of Audit

The purpose of this audit was to analyze the University and Community College System of Nevada's administrative costs, athletic revenues and expenditures, and the utilization of host accounts. Our audit included activities recorded in fiscal years 1999 through 2003 and detailed testing for fiscal year 2003 expenditures. Additionally, we reviewed UCCSN's policies and procedures regarding faculty workload.

Audit Recommendations

This report contains 10 recommendations to improve controls over UCCSN's administrative, athletic, and host expenditures. Specifically, policies and procedures should be developed and revised to ensure administrative salaries, staff and team travel, and host expenditures comply with established requirements and are properly controlled.

UCCSN accepted all 10 recommendations.

Status of Recommendations

UCCSN's 60-day plan for corrective action is due on April 4, 2005. In addition, the six-month report on the status of audit recommendations is due on October 4, 2005.

University and Community College System of Nevada

Costs of Administration, Athletics, and Host Accounts

Results in Brief

The University and Community College System's (UCCSN) administrative costs are reasonable when compared to the increase in total expenditures, student enrollment, and cost per student during fiscal years 1999 to 2003. Furthermore, UCCSN's fiscal year 2003 administrative expenditures compared favorably with peer institutions. While administrative costs appear reasonable, controls can be improved to ensure salaries are within established limits. Furthermore, institutions should strengthen controls to ensure travel expenditures are in compliance with policies and procedures.

In fiscal year 2003, athletic expenditures were approximately 6% of UNLV's total expenditures and 4% of UNR's total expenditures. Based on our analysis, additional controls are needed to ensure certain travel costs are appropriate and financial information is reliable. Effective expenditure controls help ensure limited resources are used appropriately.

Host expenditures are customary for meals, refreshments, and small gifts when conducting necessary business activities that provide a benefit to the System. Despite the sensitivity of these expenditures, 25% of the transactions we examined were not related to these activities. These problems can be attributed to insufficient guidance and a breakdown in the approval process.

Principal Findings

UCCSN's administrative costs are reasonable when compared to the increase in total expenditures, student enrollment, and cost per student during fiscal years 1999 to 2003. Administrative costs totaled about \$125 million in fiscal year 2003, an increase of 20% since fiscal year 1999. This increase is slightly lower than the increase in full-time equivalent (FTE) students during the same period. In addition, administrative costs declined at every institution during the 5 years when compared to the percentage increase in total expenditures. Finally, administrative costs per FTE student declined during the same period at UNR, UNLV and CCSN.

Our analysis of executive level employees' salaries indicated they were similar to the median salary of their peers. However, 11 of 15 community college executives were paid salaries above their peers' 75th percentile. Although administrative salaries were comparable, they were not always within limits established by the Board of Regents. Because personnel costs account for the majority of administrative expenditures, controls should ensure salaries are within established limits.

The Universities' travel policies and procedures do not address when it is appropriate for the Athletic Departments to utilize chartered air services. For example, we noted an instance in which chartered air service was used by a UNLV employee to conduct a 1-day recruiting trip. The cost for this service was \$5,200. In addition, the use of team meals versus per diem amounts is not addressed in these travel policies and procedures. Because team travel costs account for a significant amount of financial resources, policies over such activities are necessary for ensuring expenditures are appropriate and cost effective.

A UNR Athletic Department report showing its financial activity and number of student athletes for fiscal year 2003 was not reliable. Revenues and expenditures were overstated by approximately \$1 million. This report is provided to oversight bodies and the public each year; therefore, procedures should be established to ensure the report is complete and accurate.

Host expenditures were not always in accordance with established policies. Of the 200 expenditures we examined, 25% totaling approximately \$7,800 did not qualify as host expenditures. Inappropriate expenditures included office parties and staff meals; excessive gifts such as two \$500 leather jackets; and office furniture and refrigerators. Insufficient guidance and the lack of proper approvals contributed to these problems.

Faculty workload has become a concern of the public and students. Although each institution had workload policies, there was no system-wide policy. In addition, institutional reports on faculty workload were self-reported, thus causing concerns about their reliability. To address these concerns, UCCSN established an Ad Hoc Faculty Workload Task Force. As a result, Board guidelines regarding expected teaching workloads have been established. Furthermore, the Board authorized the UCCSN Internal Audit Department to audit each institution's faculty workload. As of August 2004, the audits were still in progress.

Audit Division

Legislative Counsel Bureau