



NEVADA LEGISLATURE
AUDIT SUBCOMMITTEE OF THE LEGISLATIVE COMMISSION
(Nevada Revised Statutes 218E.240)

SUMMARY MINUTES
February 18, 2020

The first meeting of the Audit Subcommittee of the Legislative Commission for the 2019–2020 Interim was held on Tuesday, February 18, 2020, at 9:00 a.m. in Room 4412, Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100, Legislative Building, 401 South Carson Street, Carson City, Nevada.

The agenda, minutes, meeting materials, and audio or video recording of the meeting are available on the Subcommittee's [meeting page](#). The audio or video recording may also be found at <https://www.leg.state.nv.us/Granicus/>. Copies of the audio or video record can be obtained through the Publications Office of the Legislative Counsel Bureau (LCB) (publications@lcb.state.nv.us or 775/684-6835).

AUDIT SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator David R. Parks, Chair
Senator Chris Brooks
Assemblywoman Maggie Carlton

AUDIT SUBCOMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblywoman Teresa Benitez-Thompson, Vice Chair
Senator Pete Goicoechea

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Daniel L. Crossman, Legislative Auditor, Audit Division
Shannon Ryan, Chief Deputy Legislative Auditor, Audit Division
Tammy Goetze, Audit Supervisor, Audit Division
Sandra McGuirk, Audit Supervisor, Audit Division
Todd C. Peterson, Audit Supervisor, Audit Division
S. Douglas Peterson, Information Systems Audit Supervisor, Audit Division
Jordan Anderson, Deputy Legislative Auditor, Audit Division
Amanda Barlow, Deputy Legislative Auditor, Audit Division
Shirlee Eitel-Bingham, Deputy Legislative Auditor, Audit Division
Zackary Fourgis, Deputy Legislative Auditor, Audit Division
Susan M. Young, Office Manager, Audit Division

ITEM I — OPENING REMARKS

Chair Parks called the meeting to order at 9:03 a.m. The roll was taken and a quorum was present.

For the purposes of continuity, the minutes appear in order of the agenda.

ITEM II — PUBLIC COMMENT

Chair Parks called for public comment.

Kent M. Ervin, Ph.D., Legislative Liaison, Nevada Faculty Alliance, urged for an independent, third-party actuarial review of methods used by the Public Employees' Benefits Program (PEBP) to establish mandatory reserves and rates (Agenda Item II).

Chair Parks called for further public comment and there was none.

ITEM III — APPROVAL OF MINUTES OF THE MEETING HELD ON MARCH 14, 2019

Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE THE AUDIT SUBCOMMITTEE MINUTES OF THE MARCH 14, 2019, MEETING. THE MOTION WAS SECONDED BY SENATOR BROOKS AND PASSED. ASSEMBLYWOMAN BENITEZ-THOMPSON WAS ABSENT FOR THE VOTE.

ITEM IV — SELECTION OF VICE CHAIR OF AUDIT SUBCOMMITTEE OF THE LEGISLATIVE COMMISSION

Chair Parks opened the item for discussion and called for a motion to nominate Assemblywoman Benitez-Thompson to serve as Vice Chair of the Audit Subcommittee of the Legislative Commission.

ASSEMBLYWOMAN CARLTON MOVED TO NOMINATE ASSEMBLYWOMAN BENITEZ-THOMPSON AS VICE CHAIR OF THE AUDIT SUBCOMMITTEE OF THE LEGISLATIVE COMMISSION. THE MOTION WAS SECONDED BY SENATOR BROOKS AND PASSED. ASSEMBLYWOMAN BENITEZ-THOMPSON WAS ABSENT FOR THE VOTE.

ITEM V — PRESENTATION OF AUDIT REPORTS (NRS 218G.240)

Daniel L. Crossman, Legislative Auditor, stated five audit reports would be presented at the meeting. He noted the audits remain confidential until the reports are presented to the Audit Subcommittee of the Legislative Commission.

A. DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF WELFARE AND SUPPORTIVE SERVICES

Shannon Ryan, Chief Deputy Legislative Auditor, presented the [audit report](#) on the Department of Health and Human Services, Division of Welfare and Supportive Services (Division). Ms. Ryan provided an overview of the following topics addressed in the report: (1) the scope and objective of the audit; (2) utilizing available information more effectively including quarterly wage information between eligibility determinations, use of wage information for the child care and development program, and unnecessary work created by excessive system notifications; (3) fraud detection programs can be enhanced with prioritization to better leverage resources and the underutilized fraud detection resources; (4) testwork sample of Medicaid households with excess quarterly income and the Supplemental Nutrition Assistance Program (SNAP) households with excess

quarterly income; (5) audit methodology; (6) the Division's response to the audit recommendations; and (7) auditor's comments on the Division's response.

Chair Parks called for questions.

There was discussion between Senator Goicoechea and Ms. Ryan regarding the differences for redetermination periods for Medicaid and SNAP benefits. Senator Goicoechea expressed concern over the timeframe for the agency to fulfill the recommendation made in the audit report and potential for lack of repayment if someone received benefits even though no longer eligible. Ms. Ryan pointed out the Division does have an accounts receivable program to aid in the recoupment of overpaid benefits to recipients.

Assemblywoman Carlton expressed concern regarding Medicaid recipients potentially being penalized since payments for services are sent directly to the providers. She further inquired about the vacancy rate at the agency and the wage threshold changes.

Ms. Ryan responded there are different wage thresholds depending on the different programs. The percentage changes based on the program and household size. The auditors examined the amounts that were significantly over and above the percentage to which the household qualified. During the audit process, the Division was asked to concur/not concur with the auditors' exceptions.

Chair Parks called for agency representatives.

Steve Fisher, Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services, responded to Assemblywoman Carlton's question regarding the vacancy rate and stated the vacancy rate for the Division is approximately 6.2%. He thanked the audit staff for their work and stated that he mostly agreed with the recommendations. The Division intends to utilize the corrective action plan.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE PERFORMANCE AUDIT ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF WELFARE AND SUPPORTIVE SERVICES. THE MOTION WAS SECONDED BY SENATOR GOICOECHEA AND CARRIED UNANIMOUSLY.

B. STATE DEPARTMENT OF AGRICULTURE, DIVISION OF CONSUMER EQUITABILITY

Jordan Anderson, Deputy Legislative Auditor, presented the [audit report](#) on the State Department of Agriculture, Division of Consumer Equitability (Division). Mr. Anderson provided an overview of the following topics addressed in the report: (1) the scope and objective of the audit; (2) oversight of weighing and measuring devices needing strengthening; (3) enhancements to improve inspection oversight; (4) necessity for consistency over administration of fees; (5) policies, procedures, and controls essential to operations; (6) audit methodology; and (7) the Department's response to the audit recommendations.

Chair Parks called for questions.

Senator Brooks queried as to the potential for over-collection/under-collection of State and local fuel tax.

Mr. Anderson replied the auditors examined the tolerance levels of devices; however, the Division would be able to respond to the question.

Assemblywoman Carlton asked about the potential fiscal impacts due to the lack of proper invoicing.

Mr. Anderson stated a brief analysis was performed; however, the fiscal impact was not materially significant. The bigger issue brought to the Division's attention was the issue with equitability.

Responding to Senator Goicoechea's question regarding the number of invoices examined by the auditors, Mr. Anderson noted in the audit report under the fees section, the auditors did not find where invoices, including late fees, were generated timely for devices found to be out of tolerance requiring a re-inspection.

Chair Parks called for agency representatives.

Cadence Matijevich, Administrator, Division of Consumer Equitability, State Department of Agriculture, stated the Division accepted the audit recommendations.

Responding to questions from Assemblywoman Benitez-Thompson regarding developing and implementing regulations to accomplish some of the recommendations and the timeline to utilize the approved work program and software system, Ms. Matijevich noted the Division will be working on and completing regulations in a timely manner. The software system will allow the Division to manage the inspection and enforcement activities.

Ms. Matijevich further testified the Division will work to complete the process to document requirements for the software system, follow the process to submit the technology investment notification, and request in the upcoming budget to procure and implement the software system. The increase in technology will assist the Division in performing duties more efficiently and effectively. As of the date of the meeting, the backlog of past-due inspections was reduced to 54%, and 75% of the inventoried devices were inspected within the last year. Revenue from device licensing fees was forecasted to be approximately \$1.7 million for the current fiscal year. For those who have past-due accounts, inspectors will issue a stop-use order for the device with unpaid licensing fees.

Ms. Matijevich went on to discuss fuel tax collection and pointed out the Department of Motor Vehicles collects on behalf of the Division. For devices out of tolerance, approximately 10% are found to be operating outside the allowable tolerance. It is about 50/50 for the devices that are either under-collecting or over-collecting. She noted the Division is committed to correcting the findings in the audit report.

There was a discussion between Senator Goicoechea and Ms. Matijevich regarding the metrology lab, availability of inspectors for rural Nevada, and the vacancy rate at the Division. Ms. Matijevich stated the Division currently has 15 authorized positions in the Weights and Measures section, of which four inspector positions were currently vacant. She was of the opinion the field work at the metrology lab did not interfere field work for the inspections.

Providing further information regarding staffing, Ms. Matijevich stated there is one full-time supervisor and seven inspectors in Las Vegas, one full-time supervisor and four full-time inspectors (with one vacancy) in Sparks, and two positions (with one vacancy) in Elko. Inspection districts are created and assigned based on the device inventory ratios while considering regional factors and distance. The recent round of recruiting to fill the vacancies resulted in a qualified pool of candidates.

Senator Goicoechea expressed concerns on the effect vacancies could have for inspections being completed in rural Nevada, leaving a limited number of gas pumps "red tagged" and the length of time to get a device in rural Nevada re-inspected.

Ms. Matijevich addressed Senator Goicoechea's concerns and stated Nevada benefits from having registered service agents (RSAs) to provide inspection services for most instances with a

few exceptions. RSAs are private agents who have been registered with the Division to perform inspections, repairs, adjustments, and calibration of devices in accordance with national standards. Once the service report has been prepared and received, the device can immediately be placed back in service. In the urban areas, the Division can usually verify the work performed by the RSA in 5 to 8 days, and in the rural areas it can take the Division sometimes 20 days. The Division has factors to consider in determining where the time is allocated and the current staffing level.

Chair Parks queried as to if the Division had the necessary equipment available for staff when the vacancies are filled.

Ms. Matijevich replied the Division does have the necessary equipment, although it is rather dated. The Division was working to replace inspector trucks and other necessary equipment. Recently, inspectors in the field received tablets to make it easier to perform job duties.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE PERFORMANCE AUDIT ON THE STATE DEPARTMENT OF AGRICULTURE, DIVISION OF CONSUMER EQUITABILITY. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

C. OFFICE OF THE GOVERNOR, NEVADA OFFICE OF THE WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION

Amanda Barlow, Deputy Legislative Auditor, presented the [audit report](#) on the Office of the Governor, Nevada Office of the Western Interstate Commission for Higher Education (Office). Ms. Barlow provided an overview of the following topics addressed in the report: (1) the scope and objectives of the audit; (2) stronger oversight needed for program requirements; (3) weak controls not ensuring participants fulfill practice requirements; (4) incomplete records and inadequate procedures hinder loan repayment; (5) controls inadequate to ensure accurate records; (6) necessity of financial reconciliations; (7) timeliness and record accuracy affect interest calculations; (8) clarification of roles and responsibilities needed; (9) oversight responsibilities not defined; and (10) the report appendices, which included: professional student exchange program fact sheet, health care access program fact sheet, audit methodology, and the Office's response to the audit recommendations.

Chair Parks called for questions. He then asked Ms. Barlow to further discuss the contracted loan processor.

Ms. Barlow explained the Office contracts with a loan contractor to handle the transactions on behalf of the Office and collect money from the participants.

A discussion ensued between Assemblywoman Carlton and Ms. Barlow concerning reconciliations of accounts. The auditors were able to identify the errors in reconciliation by comparing paper files to the loan processor's records. The Office lacks processes to track accounts other than by paper files.

Further discussion ensued between Assemblywoman Benitez-Thompson and Ms. Barlow regarding the process of the loan processors and payment transactions to the educational institutions and student accounts. The loan processor records the transactions and collects the funds at a later date. At the time of the audit, there was no mechanism for tracking all of the participants at the various stages of the process. This has been addressed in the recommendations.

Responding to Chair Parks' question regarding a comprehensive data information program to track applicants, Ms. Barlow replied the Office was in the process of developing a mechanism to track all participants within the program.

Chair Parks called for agency officials.

Jennifer Ouellette, Director, Office of the Nevada Western Interstate Commission for Higher Education (Office), Office of the Governor, addressed some of the questions previously raised. She commented the loan processor used by the Office is also utilized by several other educational institutions. However, due to certain personnel issues and turnover of staff in the Office, work needed to be done by the Office was not completed and not a fault of the loan processor. The Office is working to correct that going forward.

Senator Goicoechea disclosed he sits on the Western Interstate Commission for Higher Education Board for veterinary medicine.

A discussion ensued between Senator Goicoechea and Ms. Ouellette concerning the number of recommendations and the Office's ability to successfully implement the recommendations. Ms. Ouellette stated the Office developed a tool to review the students' accounts. Nevada's program is relatively small with 272 open accounts. The Office is working to bring all participants' accounts current with information. Where applicable, past due accounts are being sent to the Office of the State Controller for collections.

There was discussion between Assemblywoman Carlton and Ms. Ouellette about the length of time Ms. Ouellette has been the Director and the amount of work needed with the Office. Ms. Ouellette replied she has been at the Office for 6 months and the 4th Director in the last 2 years. Assemblywoman Carlton commented she looks forward to the 6-month status report to see where the Office is with implementing the recommendations and what the Office is doing to increase its functionality.

Assemblywoman Benitez-Thompson commented on repayments of loans, participants defaulting on the loans, those participants who fulfill and those who do not fulfill the work requirements of the program, fees associated with the program, and follow-up on the audit showing programmatic and operational changes.

Chair Parks referenced page 8 in the audit report on the verification of the accuracy of information where one participant provided false information to avoid repayment of more than \$286,000 in grant funds and interest. He asked if action had been taken by the Office to try to recover some of those funds.

Ms. Ouellette replied the Office is working with the Office of the Attorney General to pursue action against the individual. She was of the opinion the person's account would most likely be converted to a loan requiring full repayment, which is typical when the practice obligation is not met.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE PERFORMANCE AUDIT ON THE OFFICE OF THE GOVERNOR, NEVADA OFFICE OF THE WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

D. PUBLIC EMPLOYEES' BENEFITS PROGRAM, INFORMATION SECURITY

Shirlee Eitel-Bingham, Deputy Legislative Auditor, presented the [audit report](#) on the PEBP, Information Security. Ms. Eitel-Bingham provided an overview of the following topics addressed in the report: (1) the scope and objective of the audit; (2) inadequate security for computers and network devices; (3) computers were missing critical operating system updates and had weak virus protection; (4) improvements needed to secure a multifunction device; (5) a wireless access point not configured securely; (6) existing weaknesses in user management; (7) routine account maintenance not performed; (8) review of critical business application account can be improved; (9) greater review needed for building access system accounts; (10) background check not conducted on contractors; (11) security awareness training not always completed; (12) incompleteness of security-related plans; (13) audit methodology; and (14) the Program's response to the audit recommendations.

Chair Parks called for questions and agency representatives.

Laura Rich, Interim Executive Officer, PEBP, spoke to the recommendations and the progress PEBP has already made with making necessary changes to implement the recommendations. Information technology (IT) operations are being shifted to Division of Enterprise IT Services (EITS). PEBP has begun the process to implement an IT management system. PEBP accepted all of the audit recommendations.

Assemblywoman Benitez-Thompson queried as to the policies and procedures to coordinate the migration of IT functions over the EITS.

Ms. Rich stated PEBP would be moving servers and hardware over to EITS where there are better tools, abilities, and functions to perform the needed IT functions for PEBP. PEBP is also upgrading servers, and PEBP IT staff are checking for encryption and software patches.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE PERFORMANCE AUDIT ON THE PUBLIC EMPLOYEES' BENEFITS PROGRAM, INFORMATION SECURITY. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

E. DEPARTMENT OF ADMINISTRATION, FLEET SERVICES DIVISION

Zackary Fourgis, Deputy Legislative Auditor, presented the [audit report](#) on the Department of Administration, Fleet Services Division (Division). Mr. Fourgis provided an overview of the following topics addressed in the report: (1) the scope and objectives of the audit; (2) economic utilization of vehicles hindered by weak controls; (3) underutilized vehicles inadequately monitored; (4) vehicle performance and safety could be impacted by untimely preventative maintenance; (5) fuel cards need to be better monitored; (6) miles per gallon analysis may reduce risk of improper fuel card use; (7) inaccurate fuel card listings; (8) audit methodology; and (9) the Division's response to the audit recommendations.

Chair Parks called for questions.

Assemblywoman Benitez-Thompson asked if there were certain agencies with more underutilized vehicles than other agencies.

Mr. Fourgis replied there did not appear to be certain agencies with more low-use vehicles; however, Exhibit 1 on page 2 of the audit report depicts the high-use agencies among the distribution of long-term vehicles per agency.

A discussion ensued between Assemblywoman Benitez-Thompson and Mr. Fourgis regarding the underutilized vehicles across all the agencies in Exhibit 1 and the exclusion of exempt vehicles in that count total.

Senator Brooks, referencing Exhibit 5 in the audit report, asked where the 2014 Ford Focus was located.

Mr. Fourgis stated the vehicle is located in Battle Mountain. This vehicle could be classified as a mission-critical vehicle, exempting it from the mileage requirements; however, the agency has not gone through the process to get the vehicle reclassified.

Assemblywoman Benitez-Thompson queried if the State has purchased or leased the vehicles and which vehicles are leased through a contract.

Mr. Fourgis stated the vehicles examined by the auditors are either purchased or leased by the Division. The vehicles are not agency-owned. He would need to research which vehicles in this audit were through a lease with the Division.

Responding to Chair Parks' question regarding where the auditors used the mileage amount of 8,400 miles driven per year, Mr. Fourgis stated the mileage amounts can be found in Section 1324 of the State Administrative Manual (SAM).

Chair Parks called for agency representatives.

Robbie Burgess, Administrator, Fleets Services Division, Department of Administration, noted changes have been made in the past 2 years since he became Administrator. He commented on the 2014 Ford Focus located in Battle Mountain and that the vehicle belongs to the Department of Health and Human Services (DHHS) as a mission-critical vehicle and needs to be available when needed, which partly contributes to the low mileage. He will work with the agency to get it classified as exempt. The 1998 Ford truck is a snowplow located in Reno at the Northern Nevada Adult Mental Health Services. The Division needs to meet with the agencies for the low-use vehicles to determine if having those reclassified as exempt would be appropriate.

There was a discussion between Senator Goicoechea and Mr. Burgess regarding the need for better monitoring of fuel cards, as this issue was also addressed in the 2010 audit of the Division. Mr. Burgess noted each vehicle is assigned two different fuel cards for use in that particular vehicle. Monthly records of fuel card statements are examined to look for discrepancies such as the type of fuel used and if there is an unusual frequency of refueling a vehicle. It can be a challenge to detect all fraudulent activity of fuel given the number of vehicles to monitor and the various locations of the vehicles.

Mr. Burgess further noted the Division is internally funded. The Division owns the vehicles and leases back to other agencies on a monthly fee and mileage basis.

Chair Parks pointed this audit report contained many of the same issues that were also found in the 2010 audit report of the Division.

Mr. Burgess replied the previous audit was conducted before he came to the Division. The process of leasing vehicles to outside agencies has not changed. The number of vehicles has increased for the Division since 2010, which has kept many of these issues ongoing. Policies and procedures need to be reviewed and updated.

Assemblywoman Benitez-Thompson expressed concern with the Division having over \$1 million in vehicle purchases for fiscal year 2019 when 58% of the long-term vehicle assignments were underutilized.

Mr. Burgess stated over the last 10 years, the State had experienced tremendous growth and there would be a continued need for additional vehicles. When he started at the Division, many of the vehicles were hitting the 10-year mark and/or had high mileage. Per SAM guidelines, mileage utilization for sedans and cars is 10 years or 100,000 miles, whichever comes first. For sport-utility vehicles and trucks, it is 10 years or 125,000 miles.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE PERFORMANCE AUDIT ON THE DEPARTMENT OF ADMINISTRATION, FLEET SERVICES DIVISION. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

ITEM VI — REPORT ON COUNT OF MONEY IN STATE TREASURY (NRS 353.060)

Daniel L. Crossman, Legislative Auditor, provided a brief overview of the [Report](#) on Count of Money in State Treasury, June 28, 2019. The Count of Money in State Treasury is required by NRS 353.060 and must be performed annually. The auditors perform a count of money and securities in the Nevada State Treasury at the end of each fiscal year. After a detailed process, including processing confirmations with financial institutions and review of certain reconciliations, the Report is finalized by audit staff. This report was filed with the Secretary of State's Office on December 5, 2019, pursuant to NRS 353.075.

Chair Parks called for questions and there were none. He then called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE REPORT ON COUNT OF MONEY IN STATE TREASURY, JUNE 28, 2019. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

ITEM VII — PRESENTATION OF REVIEW OF GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN, JANUARY 2020 (NRS 218G.575)

Daniel L. Crossman, Legislative Auditor, provided background information on the reviews of governmental and private facilities for children the Audit Division conducts pursuant to NRS 218G.575. The review process includes two primary types of review: (1) detailed reviews of facilities; and (2) unannounced site visits to assess a facility's general conditions and processes.

Sandra McGuirk, Audit Supervisor, gave a presentation on the [report](#) of the Review of Governmental and Private Facilities for Children, January 2020. Ms. McGuirk provided an overview of the following topics addressed in the report: (1) review of Never Give Up Youth Healing Center, a private psychiatric treatment facility (NRS 449) located in Amargosa Valley; and (2) review of Apple Grove Foster Care Agency, a private foster care agency (NRS 424) located in Las Vegas. The auditors obtained marginal assurance that these two facilities adequately protect the health, safety, and welfare of the youths at the facilities, and they respect the civil and other rights of the youths in their care. Other facilities reviewed and included in the report included: (3) Oasis On-Campus Treatment Homes, foster homes providing specialized foster care (NRS 424) located in Las Vegas; and (4) Koinonia Family Services, a private foster care agency (NRS 424) located in Reno. The auditors performed unannounced site visits to three facilities that caused the auditors to question the health, safety, or welfare of children in the facilities: (5) P6 Family Services, foster homes that provide specialized foster homes; (6) Call to Compassion, a foster care agency; and (7) Levada House, foster homes that provide specialized foster care. The licensing agency for these three facilities initiated corrective action or closed the facility.

Chair Parks called for questions.

Senator Goicoechea queried about the Never Give Up Youth Healing Center (Center) located in Nye County and the potential bullying and abuse at that facility.

Ms. McGuirk stated the Center received a complete review and the auditors did have concerns over the policies and procedures and lack of understanding by staff at the facility. Currently, the State and counties do not have any youth placed at the Center. Without any State or county placements, the auditors cannot perform an unannounced visit.

Further discussion ensued between Senator Goicoechea and Ms. McGuirk regarding the Center and reporting of abuse and neglect. Ms. McGuirk commented the auditors examine abuse as defined by NRS and how the staff interact with the youth. Based on NRS, the auditors can only perform an unannounced visit if youth are placed at a facility by a court order. As of February 4, 2020, there were no county or State placements at the Center. Senator Goicoechea was of the opinion that the State does not provide enough oversight when there are allegations of abuse or complaints.

Responding to Chair Parks' question concerning authority at the county level to perform unannounced visits, Ms. McGuirk pointed out the facility is licensed as a psychiatric residential treatment facility and is licensed by and under the jurisdiction of the Bureau of Health Care Quality and Compliance (HCQC). The facility is subject to oversight by the State; however, just not by the Audit Division in a case such as this.

Senator Goicoechea queried as to whether Child Protective Services (CPS) or the auditors could issue an order to close the facility.

Ms. McGuirk replied HCQC or CPS would have the authority to determine what actions would need to be taken with the facility. Since the Audit Division cannot open a facility, it does not have the authority to close the facility either. There is oversight over the facility, just not through the Audit Division.

There was a discussion between Assemblywoman Benitez-Thompson and Ms. McGuirk regarding the progress made by the facilities in areas such as the proper handling of psychotropic medications and employee background checks. The trend is moving toward compliance; however, not at the pace originally estimated. The facilities' reviews have been conducted since October 2007.

Chair Parks called for agency representatives.

Ross E. Armstrong, Administrator, Division of Child and Family Services (DCFS), DHHS, noted Oasis On-Campus Treatment Homes (Oasis) is one of the facilities licensed by DCFS. He affirmed the licensing entities for these facilities are able to perform unannounced visits and past visits are posted online (findahealthfacility.nv.gov). He opined it is important in all of the different facilities to review who the licensing agency is. The residential programs at DCFS are being shifted towards psychiatric residential treatment facilities (PRFTs), and the three mental health facilities are licensed by HCQC.

Responding to Assemblywoman Benitez-Thompson's question regarding clinicians managing medication plans at the facilities in the process of converting, Susan Miller, Deputy Administrator, DCFS, DHHS, stated with the conversion of those facilities, medication administration would be done by licensed nurses, and mental health clinicians would be onsite at the facilities to ensure treatment plans and reviews are completed in a timely manner. Furthermore, the three facilities that have psychiatric components with mental health will be converting to PRFTs.

Assemblywoman Benitez-Thompson asked if certain facilities licensed by the counties would be converting to a clinical role or remain as treatment group homes.

Cara Paoli, Director, Washoe County Human Services Agency, replied the County and State are working together with the Families First Prevention Services Act of 2018, which has several changes for the foster homes and the youths who are in foster care. It is important to provide services for the staff to ensure staff is trained and properly provide for the needs of the children.

Following up, Ms. McGuirk provided clarification and noted the PRFTs are required to have trained medical staff. Foster homes, group homes, and specialized foster care, are not required to have trained medical staff in the homes, and there is no nurse directly involved with the homes. She was of the opinion there is a breakdown over the psychiatric medications with the administration of those medications and the person legally responsible to give consent.

Assemblywoman Benitez-Thompson expressed concern that a more “clinical eye” has not been taken with the administration of psychotropic medication to the youths, regardless of which home the youths are located.

Senator Goicoechea requested clarification as to what agencies license and have oversight of the Center and Oasis.

Ms. McGuirk offered there are different licensing entities involved with the different types of facilities. For example, PRTFs are licensed by HCQC. Depending on the location of foster homes, those can be licensed by Clark County, Washoe County, or DCFS. She was of the opinion there needed to be more oversight by the licensing agencies to ensure the youths are receiving the proper medication.

Mr. Armstrong pointed out if it is a medical, health facility, it would be licensed by HCQC. For Senator Goicoechea’s district, the Center would be licensed by HCQC. If there were allegations of abuse or neglect at the Center, CPS can investigate.

No further agency or entity representatives were present to respond to questions.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT REPORT OF THE REVIEW OF GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN, JANUARY 2020. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

ITEM VIII — PRESENTATION OF 6-MONTH REPORTS (NRS 218G.270)

Chair Parks stated he would accept a motion to accept the 6-month reports for Agenda Items VIII, A through J. The Audit Division did not have questions for these agency representatives regarding the implementation status of the audit recommendations.

Daniel L. Crossman, Legislative Auditor, stated there are 13, 6-month reports. The 6-month reports are generated by the Office of Finance, Office of the Governor, to help ensure the audit recommendations are implemented. The process begins with a plan for corrective action, which is prepared by agencies 60 working days after the audit report was accepted by the Audit Subcommittee. NRS 218G.270 requires the Director of the Office of Finance to submit a report to the Legislative Auditor 6 months after the plan for corrective action is prepared to indicate the implementation status of each recommendation. After the Audit Division has received and reviewed the 6-month reports, the auditors work with the agencies on the partially implemented recommendations. Many of the agencies have had sufficient time to fully implement their

recommendations. Therefore, Audit Division staff does not have any questions for those agencies listed on the agenda as Agenda Items VIII, A through J.

Chair Parks called for questions and there none. He then called for a motion.

ASSEMBLYWOMAN CARLTON TO ACCEPT THE 6-MONTH REPORTS FOR AGENDA ITEMS VIII, A THROUGH J. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

K. DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIRECTOR'S OFFICE

Shannon Ryan, Chief Deputy Legislative Auditor, presented the 6-month report on the Department of Health and Human Services, Director's Office (Office). She stated an audit report on the Office was released in May 2018. The 6-month report is prepared by the Office of Finance, Office of the Governor, and indicated all eight recommendations were partially implemented.

The 6-month report indicated a lack of consistency with the application of policies and procedures, and controls. Audit staff contacted the Office in January 2020 regarding the status of all eight recommendations. The Office has continued to modify and enhance processes over grant awarding and processing. Based on that review, Audit staff have determined all recommendations, except Recommendation No. 4, are fully implemented. Recommendation No. 4 was to institute a consistent department-wide approach to the fiscal monitoring of grantees. The Office staff indicated the grant fiscal monitoring policies and procedures continue to be reviewed and revised with the Division stakeholders.

Ms. Ryan posed the question to DHHS: When does the Office expect policies and procedures will be finalized, in a consistent department-wide fiscal monitoring process active.

Beth Handler, Deputy Director, DHHS, replied by March 1, 2020, DHHS should have its fiscal monitoring tool finalized. On Monday, March 2, 2020, it would be issued out to all of the agencies and DHHS would be providing technical assistance and training for the recommendation to be considered fully implemented.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE 6-MONTH REPORT OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIRECTOR'S OFFICE. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

L. DEPARTMENT OF BUSINESS AND INDUSTRY, DIVISION OF INDUSTRIAL RELATIONS

Shannon Ryan, Chief Deputy Legislative Auditor, presented the 6-month report on the Department of Business and Industry, Division of Industrial Relations (Division). In May 2018, the audit report on the Division was released. The 6-month report indicated five recommendations were fully implemented and four recommendations were partially implemented. Audit staff contacted the Division in January 2020 regarding the status of the four partially implemented recommendations. Based on that review, it was determined two additional recommendations were now fully implemented; however, the Division still has two recommendations that are partially implemented.

Recommendation No. 2 was to develop policies, procedures, and controls over tracking, monitoring, and clearing inspection violations. Additionally, the Division should ensure violations are cleared based on significant documentation and by personnel trained in elevator and boiler safety. The Division indicated it was currently testing a module in the new database regarding

the clearing of violations before sending it out to third-party inspectors. Full implementation is expected in July 2020.

Additionally, portions of Recommendation No. 6 remain partially implemented. This recommendation was to develop detailed guidelines regarding third-party inspection regulatory activities. The Division had not established detailed guidelines, but had made certain changes to its operations. Those changes include that violations are now certificate blocking, objects taken out of service are reviewed by Division management, a module and the database will allow for reports in real time, and violations will be tracked in the new database.

Ms. Ryan posed the following question to the Division: Since the Division does not expect full implementation regarding Recommendation No. 2 and portions of Recommendation No. 6 until July 2020, what is the Division doing to ensure the operating safety of elevators and boilers until that time.

Ray Fierro, Administrator, Division of Industrial Relations, Department of Business and Industry, replied the Division does have policies, procedures, and controls over tracking, monitoring, and clearing inspection violations. The Division is closely monitoring for compliance with regulations. Inspector violations are cleared only by authorized personnel and third-party inspection agencies.

Chair Parks queried as to the status of the previous lack of inspections for the safety of the elevators and boilers.

Mr. Fierro replied the Division has performed research to determine what would be a more workable program for tracking inspections, maintenance, and testing on elevators and escalators. He was of the opinion the percentage of compliance is significantly higher now than it was previously. And, the relationship among the State, third-party inspectors, and the owners has improved partly due to having a functional database and the third-party inspectors receiving information in a timely manner.

Senator Goicoechea asked how many inspectors the Division had.

Mr. Fierro stated the Division has 21 full-time inspectors for the boilers, pressure vessels, elevators, and escalators. There are 13 inspectors dedicated to the elevators and escalators. There are also two supervisors who can complete inspections.

Responding to Senator Goicoechea's questions regarding third-party inspectors' access to the database, Mr. Fierro noted it took a lot of work for the Division to update the database for the third-party inspectors to have access. In addition to the third-party inspectors entering inspection and test information, they can now enter follow-up information.

Continuing, Ms. Ryan posed another question to the Division: Why does the Division expect it will take until July 2020 to have the module related to violation tracking and clearing operational.

Mr. Fierro noted the Division just recently was able to get that module up and running, and should be fully functional by July 2020.

Ms. Ryan posed a third question to the Division: Is the Division still on track for the TCE mobile application to be active in March 2020, which will allow for reports in real-time.

Mr. Fierro replied the Division is testing a component on that application. When the testing is complete, the application should be functional in March 2020.

Chair Parks inquired if the Division was on track to collect the estimated \$1.4 million in fees owed to the agency from the last several years.

Mr. Fierro stated the Division has designed the new database for the third-party inspectors to receive the funds, and the owner of the object is charged the operating permit fee. The Division is now receiving the fees and charges where it was not before.

To clarify the fee collection process, Mr. Fierro responded the Division has it set up so that it does not have to notify the third-party inspectors which elevators and escalators are due for an inspection. The third-party inspectors have contracted with such entities as hotel casinos, who are aware of when the objects are coming due for an inspection.

Chair Parks queried if it was possible for a certificate to be issued before receipt of payment.

Mr. Fierro stated in order for an owner to receive an operating permit, an inspection would have to have taken place, a report made, and fees collected. If open violations were documented during the inspection, the owner would not receive the operating permit until the violations were corrected.

Senator Brooks inquired as to what the Division has done to prevent accidentally issuing operating permits or inspections being performed without receiving payment for an inspection.

Mr. Fierro replied the human error factor, which caused problems in the past, has been removed through the use of the database with stops in place to prevent the accidental issuance of an operating permit.

Responding to Chair Parks' question regarding if the backlog of inspections for elevators and escalators had been cleared, Mr. Fierro commented when there was a building boom, many buildings were built and there was a lack of applications for permits. Unfortunately, some unethical owners still operated the objects. There are now strengthened policies and procedures in place to prevent operation without proper inspections and permits.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE 6-MONTH REPORT OF THE DEPARTMENT OF BUSINESS AND INDUSTRY, DIVISION OF INDUSTRIAL RELATIONS. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

There was discussion during the motion between Assemblywoman Benitez-Thompson and Mr. Crossman regarding the follow-up process for the 6-month reports. Mr. Crossman stated the Audit Division would continue to work with the agency and could provide updated information on the status of the recommendations at the next Audit Subcommittee meeting.

M. DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, COMMUNITY-BASED LIVING ARRANGEMENT HOMES, RESIDENTIAL SERVICES PAYMENTS

Todd Peterson, Audit Supervisor, presented the 6-month report. In October 2018, an audit report on the Residential Services Payments of the Community-Based Living Arrangement Homes (CBLA), Adult Mental Health Services (AMHS), DPBH, DHHS, was released. The DPBH filed its plan for corrective action in January 2019. NRS 218G.270 requires the Office of Finance, Office of the Governor, to issue a report within 6 months after the plan for corrective action is due, outlining the implementation status of the audit recommendations.

As of July 29, 2019, the Office of Finance indicated five recommendations were fully implemented and seven recommendations were partially implemented. In January 2020 and February 2020, the auditors discussed the status of the remaining partially implemented recommendations with

Division management and reviewed relevant documentation. With the additional documentation and information that was received from DPBH, this allowed the auditors to modify the questions for the agency. As a result, Recommendation No. 1, to review the recent billings of CBLA providers to determine the amount of significant overpayments, obtain refunds, and communicate significant overpayments to the Office of the Attorney General, was the remaining partially implemented recommendation.

The agency reported in February 2020, Recommendation No. 1 had been addressed in the North. In northern Nevada, the DPBH has completed its review, and has recuperated over \$5,000 from providers, which was addressed as duplicate payments in the audit report. There were several different areas in which providers were over billing the agency. The DPBH also indicated it has identified potential overbilling in the North of \$150,000 related to discrepancies between the providers' payroll and the hours billed to the agency. As indicated by the agency after consultation with the Office of the Attorney General, it would be difficult to pursue action on those types of payments. The Division has a contractor in Southern Nevada that is working on implementing Recommendation No. 1.

Mr. Peterson posed the following question for the agency: Please provide an update on Recommendation No. 1 as to what is being done in southern Nevada and when the recommendation would be fully implemented with regards to recouping overbilling from residential service providers.

Joanne Malay, Deputy Administrator, Clinical Services, DPBH, DHHS, stated the Division expects to complete the implementation of Recommendation No. 1 in October 2020. Two CPA firms and a third contractor were hired to produce reports to aid in implementing policies and procedures for Recommendation No. 1.

A discussion ensued between Assemblywoman Benitez-Thompson and Ms. Malay regarding completion of the contract and cost survey, reimbursement, daily rate, and a timeline for implementation. Ms. Malay replied Meyers and Stauffer, LLC, contracted this scope of work that included a cost survey, reimbursement, per diem rate (daily rate), and prepared a financial model for the Division. Some changes have been implemented through policies and procedures and should be completed by July 2020.

Mr. Peterson referencing Recommendation Nos. 5 and 10, commented on the importance of developing policies and procedures to define services and rates paid to the providers, and policies and procedures over client placement to help ensure the fair and equitable balance of billable service hours among CBLA providers. He then posed the question: What policies and procedures will the agency enact to ensure the services that are billed are received.

Ms. Malay replied there are some policies and procedures in place for that acuity, an acuity checklist, and a questionnaire for implementation. As a result of the draft report from Meyers and Stauffer, LLC, some recommendations were successfully implemented.

Assemblywoman Benitez-Thompson asked if once the system setup is complete, what would be done to ensure quality care continues and would HCQC be the agency required for oversight.

Ellen Richardson-Adams, Clinical Program Manager III, AMHS, DPBH, DHHS, spoke to the roles and responsibilities between HCQC and AMHS. AHMS has implemented a quality assurance team in northern and southern Nevada. The ongoing "clinical eye" is to ensure basic health and safety needs are being met, as well as clinical components to ensure such things as medications and treatment planning are met.

Referring to Recommendation No. 9, Mr. Peterson noted once the auditor positions are filled, they will continue with the responsibility of performing financial assessments of the CBLA homes.

There being no further questions, Chair Parks called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO ACCEPT THE 6-MONTH REPORT OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, COMMUNITY-BASED LIVING ARRANGEMENT HOMES, RESIDENTIAL SERVICES PAYMENTS. THE MOTION WAS SECONDED BY SENATOR BROOKS AND CARRIED UNANIMOUSLY.

ITEM IX — INFORMATIONAL ITEMS

A. UPDATE REGARDING THE AUDIT OF THE COMMUNITY-BASED LIVING ARRANGEMENT HOMES (LA18-13), FOLLOW UP BASED ON SUBSEQUENT REVIEW OF SELECT HOMES, AND PROGRESS MADE ON AUDIT RECOMMENDATIONS

Todd Peterson, Audit Supervisor, provided an update regarding the audit of the CBLA homes, follow-up information on a subsequent review of select homes, and progress that has been made on the audit recommendations.

The audit report was presented in January 2018. During this time, the Office of Finance also performed inspections of the homes after the audit was released and is part of its process for reporting on the implementation status of the recommendations. As part of the inspections, they went through the original 37 homes the auditors had inspected and 22 of those remained in operation, but many of the homes had been closed. Mr. Peterson was of the opinion 15 homes were closed, 22 remained in operation, and another 2 homes were pending certification denial or decertification reported as of October 2018.

In addition to reviewing the Office of Finance's report, the auditors also contacted the agency and examined the implementation status of the recommendations. At the October 2018 meeting of the Audit Subcommittee, auditors indicated all recommendations had been fully implemented and in December 2018, the Board of Health adopted new regulations to help ensure the recommendations in the audit report were fully implemented. At that time, HCQC assumed the inspection responsibilities of those homes and were performing inspections of the CBLA Homes.

During January 21, 2020, through January 23, 2020, the auditors re-inspected a total of 32 CBLA homes both in northern and southern Nevada. Those inspections included 13 homes that were part of the original 37 in the audit report.

Overall, the homes appeared to be in better condition than 2 years ago. Most of these homes were generally clean. In addition, most medications were properly stored and secured, and the medication administration reports were completed accurately. However, the homes continue to struggle with providers maintaining clean and sanitary conditions, especially in bathrooms and kitchen.

Similar to when the original audit was performed, the auditors went into the homes and performed inspections based on five criteria, if there were: unsanitary conditions, personal health and safety hazards, fire and safety hazards, inadequate medication management practices, and/or bleak living conditions. The amount and severity with the issues previously found were far less during the re-inspections by the auditors.

Chair Parks called for questions.

Assemblywoman Benitez-Thompson thanked the auditors for their work and for re-inspecting the homes.

B. APPROVED AUDIT PROGRAM FOR THE CURRENT BIENNIUM, AUDITS CURRENTLY IN PROGRESS, AND PRIORITIZATION OF AUDIT OF THE BOARD OF MEDICAL EXAMINERS

Daniel L. Crossman, Legislative Auditor, gave a brief presentation on the approved audit program for the current biennium, audits currently in progress, and the prioritization of the audit of the Board of Medical Examiners. At the Legislative Commission's meeting on October 30, 2019, the Commission approved a motion directing the Audit Division to issue a request for proposal (RFP) to the Federation of State Medical Boards (FSMB), pursuant to NRS 630.127. The RFP was for FSMB to conduct a performance audit of the Nevada State Board of Medical Examiners. The audit is required by NRS every 8 years and was last performed in 2012.

At the December 30, 2019, meeting, the Legislative Commission approved the proposal by the FSMB to perform the audit. Additionally, the Legislative Commission approved in its motion that the Audit Division would perform an audit of the State Board of Medical Examiners after the completion of the FSMB's audit. The timing of the audit would be determined in consultation with the Audit Subcommittee.

Mr. Crossman noted in the meeting packet was a schedule listing the audits in progress and the remaining projects that have been approved for 2019–2020 Biennium. The Audit Division still has important work remaining including the audit authorized by Senate Bill 174 from the 2019 Legislative Session the delivery of autism services, an audit of the Department of Corrections, and the Division of Health Care, Financing, and Policy (Medicaid).

Based on the guidance from the Legislative Commission, the Audit Division will revisit the timing of an audit to be performed by the Audit Division after the FSMB completes its audit report and the Audit Division has reviewed the findings and the work performed by the FSMB.

Mr. Crossman pointed out the State Board of Medical Examiners was also being reviewed by the Sunset Subcommittee of the Legislative Commission during the 2019–2020 Interim. Based on the Audit Division's current workload, it is anticipated the Audit Division would not be able to start an audit of the State Board of Medical Examiners until late 2020 or early 2021, unless otherwise directed by the Audit Subcommittee.

Mr. Crossman called for questions from the Subcommittee members. There were no questions or concerns expressed by the Subcommittee members.

C. THE NATIONAL STATE AUDITORS ASSOCIATION, EXCELLENCE IN ACCOUNTABILITY AWARD FOR THE OUTSTANDING SMALL PERFORMANCE AUDIT OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, COMMUNITY-BASED LIVING ARRANGEMENT HOMES

Daniel L. Crossman, Legislative Auditor, gave a brief presentation on the National State Auditors Association, Excellence in Accountability Award for the Outstanding Small Performance Audit of the Department of Health and Human Services, Division of Public and Behavioral Health, Adult Mental Health Services, Community-Based Living Arrangement Homes. After seeing the significant impact the audit had in identifying the need for improving conditions in CBLA homes and the significant actions that were taken to improve the conditions by the agencies, as well as the Legislature's help to protect this vulnerable population, the Audit Division decided to submit this audit for consideration to the National State Auditors Association, Excellence in Accountability Awards. These audits are judged on the potential for significant impact, focus of

recommendations on effective and efficient government, clarity and conciseness, innovation, usefulness to the consumers and persuasiveness of the conclusions and actions produced.

The CBLA homes audit was the 2019 winner and the auditors were able to present the findings at a national conference to other state auditors' offices. This is the second award given to the Audit Division in the last few years.

Mr. Crossman expressed his appreciation to the audit team and support staff that helped make this audit a reality. He also thanked the members of the Legislature, and especially those on the Audit Subcommittee, whose responses to the audit shaped impactful and meaningful legislative changes.

ITEM X — PUBLIC COMMENT

Chair Parks called for public comment.

Daniel L. Crossman, Legislative Auditor, noted the next potential meeting of the Audit Subcommittee would be in late April or early May 2020.

There was no further public comment.

ITEM XI — ADJOURNMENT

There being no further business to come before the Audit Subcommittee, the meeting was adjourned at 1:03 p.m.

Respectfully submitted,

Susan M. Young, Office Manager

Senator David R. Parks
Chair of the Audit Subcommittee of the
Legislative Commission

Daniel L. Crossman, Legislative Auditor
and Secretary to the Audit Subcommittee of the
Legislative Commission