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March 11, 2022

Members of the Audit Subcommittee
of the Legislative Commission
Legislative Building
Carson City, Nevada 89701-4747

In January 2021, we issued an audit report on the Office of the Nevada Attorney for Injured Workers an office within the Department of Business and Industry. The Office filed its plan for corrective action in March 2021. Nevada Revised Statutes 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.

Enclosed is the 6-month report prepared by the Office of Finance on the status of the seven recommendations contained in the audit report. As of October 9, 2021, the Office of Finance indicated two recommendations were fully implemented and five recommendations were partially implemented. The partially implemented recommendations are shown below.

	Recommendation	Status
Recommendation No. 1	Ensure service level agreements with information technology vendors are executed in a timely manner.	Partially Implemented
Recommendation No. 2	Develop policies and procedures to ensure: a. User accounts are reviewed quarterly and disabled and removed in a timely manner upon employee termination or reassignment. b. Server backup testing and backup adequacy are evaluated and documented.	Partially Implemented
Recommendation No. 3	Develop a written information technology contingency plan and ensure it is updated on an annual basis.	Partially Implemented
Recommendation No. 5	Develop comprehensive policies and procedures including the methodology used to calculate performance measures, retention of supporting documents, and assignment of supervisory review duties to ensure measures are accurate and reliable.	Partially Implemented
Recommendation No. 6	Identify and report outcome based performance measures and develop controls to ensure their accuracy.	Partially Implemented

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In March 2022, we discussed the status of the five partially implemented recommendations with Office management and reviewed relevant documentation. Our review indicated the Office has now fully implemented these five recommendations. Therefore, we do not have any questions for agency officials.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Daniel Crossman", with a long horizontal flourish extending to the right.

Daniel L. Crossman, CPA
Legislative Auditor

DLC:smy

cc: Yvanna Cancela, Chief of Staff, Office of the Governor
Susan Brown, Director, Office of Finance, Office of the Governor
Warren Lowman, Administrator, Division of Internal Audits, Office of the Governor
Terry Reynolds, Director, Division of Business and Industry (B&I)
Evan Beavers, Administrator, Office of the Nevada Attorney for Injured Workers, B&I

SIX-MONTH REPORT



**STATE OF NEVADA
GOVERNOR'S FINANCE OFFICE**

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MEMORANDUM

To: Daniel L. Crossman, CPA, Legislative Auditor
Legislative Counsel Bureau

From: Susan Brown, Director
Governor's Finance Office

Date: October 9, 2021

Subject: Legislative Audit of the Department of Business and Industry, Office of the Nevada Attorney for Injured Workers

On January 14, 2021, your office released an audit report (LA22-01) on the Department of Business and Industry, Office of the Nevada Attorney for Injured Workers (NAIW). NAIW subsequently filed a corrective action plan on March 26, 2021. NRS 218G.270 requires the Director of the Governor's Finance Office to report to the Legislative Auditor on measures taken by NAIW to comply with audit findings.

There were seven recommendations contained in the report. The extent of the NAIW's compliance with the audit recommendations is as follows:

Recommendation 1

Ensure service level agreements with information technology vendors are executed in a timely manner.

Status – Partially Implemented

Agency Actions – NAIW developed and implemented a policy and procedures for administering service level agreements with information technology vendors that addresses executing the agreements in a timely manner. NAIW has entered into three information technology service level agreements since the report was issued.

Auditor Comment – The Division of Internal Audits (DIA) reviewed agreement documentation noting two of the three agreements did not meet the audit recommendation:

- The maintenance agreement with JFG Systems, Inc. was not approved by the Board of Examiners and is not recorded in the state's Contract Entry Tracking System.
- The agreement with Reno Messenger Service was not executed in a timely manner.

Full implementation is dependent upon ensuring future service level agreements and renewals with information technology vendors are executed in a timely manner.

Recommendation 2

Develop policies and procedures to ensure:

- a. User accounts are reviewed quarterly and disabled and removed in a timely manner upon employee termination or reassignment.*
- b. Server backup testing and backup adequacy are evaluated and documented.*

Status – Partially Implemented

Agency Actions – NAIW developed and implemented a policy and procedure for monitoring user accounts that requires the office manager to notify the Department of Administration, Enterprise IT Services Division (EITS) to terminate user access no later than the end of the day the employee severs employment. The policy also requires the office manager to maintain current records identifying each user account and submit a report of the status of all accounts to the Administrator every six months.

Auditor Comment – The audit recommended user account review be conducted at least quarterly; however, the policy states review will take place every six months even though NAIW performed three quarterly user account reviews since implementation of the policy. DIA reviewed all three reports, noting preparer, reviewer, and dates performed are not documented; DIA could not confirm whether the quarterly reviews were timely. Additionally, there is no evidence of office manager notification to EITS terminating user access at the end of the day the employee severed employment.

DIA additionally reviewed documentation supporting server backup testing and backup adequacy noting reviews were documented and performed quarterly. There is a brief mention of server backups in the IT Contingency Plan; however, the IT Contingency Plan does not specify the server backup testing frequency or the requirements to evaluate server backup testing and backup adequacy. NAIW did not provide written policies and procedures specific to server backup testing and evaluation of backup adequacy.

Full implementation is contingent upon: revising the user account monitoring policy to reflect a quarterly review requirement; maintaining documentation of preparer, reviewer, and dates performed for quarterly reviews; maintaining documentation of office manager notification to EITS terminating user access at the end of the day the employee severs employment; and development and implementation of written policies and procedures specific to server backup testing and evaluation of backup adequacy.

Recommendation 3

Develop a written information technology contingency plan and ensure it is updated on an annual basis.

Status – Partially Implemented

Agency Actions – NAIW developed and implemented a written information technology contingency plan that meets the intent of the recommendation.

Auditor Comment – Full implementation is contingent upon ensuring the plan is updated by August 2022 as required by the audit recommendation.

Recommendation 4

Coordinate with the Department of Business and Industry to ensure independent contractors in sensitive information technology positions receive background checks and annual security awareness training.

Status – Fully Implemented

Agency Actions – NAIW coordinated with the Department of Business and Industry to ensure independent contractors in sensitive information technology positions receive background checks and annual security awareness training. NAIW is contracted with one information technology independent contractor in a sensitive technology position. DIA reviewed documentation evidencing that background checks are preliminarily performed by the Department of Administration, Division of Human Resource Management. Fingerprinting and background checks are then later processed by the Nevada Department of Public Safety. NAIW additionally provided evidence of the contractor's completed security awareness training.

Recommendation 5

Develop comprehensive policies and procedures including the methodology used to calculate performance measures, retention of supporting documents, and assignment of supervisory review duties to ensure measures are accurate and reliable.

Status – Partially Implemented

Agency Actions – NAIW developed and implemented a written policy and procedures for administration of performance measures.

Auditor Comment – NAIW's policy and procedures do not include the methodology used to calculate performance measures or designate the assignment of supervisory review duties to ensure measures are accurate and reliable. Additionally, NAIW provided monthly performance measure data metrics generated from the Time Matters program

that do not provide detail of the methodology used to calculate the performance measures or the underlying data. NAIW reported the agency is still in the process of creating instructions and a spreadsheet for the calculations of performance measures.

Full implementation is dependent upon development of policies and procedures that include the methodology used to calculate performance measures, assignment of supervisory review duties to ensure measures are accurate and reliable, and a spreadsheet documenting performance measure calculations.

Recommendation 6

Identify and report outcome based performance measures and develop controls to ensure their accuracy.

Status – Partially Implemented

Agency Actions – NAIW identified the relationship with the public or clients develops from the time the caller or client first contacts the office. After the call is addressed or case closed, information gathered from the caller or client could be insightful when evaluating outcomes of the agency's efforts. NAIW developed a policy and procedures for caller and client exit interviews to address the recommendation to develop controls to ensure the accuracy of identified and reported outcome based performance measures.

Auditor Comment – There is no evidence NAIW has formally adopted outcome based performance measures. Additionally, the policy and procedures do not include controls to ensure performance measure accuracy. The proposed exit interview procedures require the Administrator to monthly select callers and clients for closed cases to poll for exit interviews. The policy does not document the methodology for selection or identify how the agency intends to ensure the data is accurately reduced to statistics for use in the agency's performance measures.

Full implementation is dependent upon formally adopting and reporting identified outcome based performance measures, and developing controls and calculation methodology to ensure the accuracy of outcome based performance measures.

Recommendation 7

Secure clients' personally identifiable information from unauthorized access.

Status – Fully Implemented

Agency Actions – NAIW has secured clients' personally identifiable information from unauthorized access by adding locks to file cabinets containing files with personal identifiable information and ensuring file rooms are locked at all times where sensitive information is maintained. NAIW developed and implemented a policy and procedures documenting the process.

The degree of ongoing compliance with these recommendations is the responsibility of the agency.



Susan Brown, Director
Governor's Finance Office

cc: Yvanna Cancela, Chief of Staff, Office of the Governor
Evan Beavers, Esq., Nevada Attorney for Injured Workers
Terry Reynolds, Director, Department of Business and Industry
Warren Lowman, Administrator, Division of Internal Audits

AUDIT HIGHLIGHTS

Audit Highlights



Highlights of performance audit report on the Office of the Nevada Attorney for Injured Workers issued on January 14, 2021.

Legislative Auditor report # LA22-01.

Background

The Office of the Nevada Attorney for Injured Workers (NAIW) was established in 1977 within the Department of Business and Industry. NAIW represents injured workers in litigation for workers' compensation benefits by providing free legal representation and access to workers' compensation information to help ensure an injured worker has an equal opportunity to a fair judgment.

In the event an injured worker has their workers' compensation claim denied by an insurer or employer, they can appeal the denial to a Hearing Officer of the Department of Administration. If the Hearing Officer upholds the denial, the injured worker can further appeal to an Appeals Officer and request representation from NAIW. The Appeals Officer will appoint the case to NAIW who can represent the worker in front of an Appeals Officer, District Court Judge, or Supreme Court Judge.

For fiscal year 2020, NAIW had 32 authorized full-time positions with office locations in Carson City and Las Vegas.

Purpose of Audit

The purpose of this audit was to determine whether NAIW had adequate controls over information systems, performance measures, sensitive information, and case management timeliness. The scope of the audit focused on NAIW's activities for the 18-month period, July 2018 to December 2019.

Audit Recommendations

This audit report contains seven recommendations to improve administrative controls over information systems, performance measures, and safeguarding of sensitive information.

NAIW accepted the seven recommendations.

Recommendation Status

NAIW's 60-day plan for corrective action is due on April 9, 2021. In addition, the 6-month report on the status of audit recommendations is due on October 9, 2021.

Office of the Nevada Attorney for Injured Workers

Department of Business and Industry

Summary

The Office of the Nevada Attorney for Injured Workers (NAIW) can improve its oversight of certain activities. Specifically, information systems administration needs additional monitoring to ensure the continuation of critical services. Additionally, NAIW reported unreliable performance measures to decision makers and could improve by emphasizing outcome based performance measures. Finally, the security of personally identifiable information was not adequate.

Case management administration was adequate in ensuring the timeliness of cases although NAIW experienced delays in receiving crucial evidence and information from third parties. Specifically, case processes were generally timely including NAIW sending and requesting necessary documents in a prompt manner. However, the need for evidence from third parties delayed some hearings. Injured workers can experience financial and mental stress while fighting for workers' compensation benefits so timely resolution of cases is important.

Key Findings

Controls over information systems administration were deficient. Specifically:

- NAIW was not timely in renewing its service level agreement for information technology (IT) services which resulted in NAIW having no guarantee that their data was being properly backed up. The most recent agreement with NAIW's IT vendor expired in June 2019 and had not been renewed until April 2020. (page 4)
- User accounts that provide access to critical systems have not been periodically reviewed, which increases the risk of unauthorized access to sensitive data. In addition, unnecessary user accounts were not always disabled or removed in a timely manner. (page 5)
- Continuation of critical services was not ensured. Specifically, NAIW does not verify the adequacy of server backups and has not requested backup testing results from their IT vendor in the past. In addition, NAIW does not have a written IT contingency plan. Furthermore, background checks were not conducted on NAIW's IT service vendor's employees which helps lower the risk of harm or disruption to a system. (page 6)
- NAIW was not aware of its responsibility to ensure the IT vendor's employees completed required annual security awareness training. Without completing such training, NAIW has less assurance that data and systems are adequately protected. (page 7)

The accuracy of performance measures reported in the Governor's Executive Budget could not be substantiated. NAIW did not retain appropriate supporting documentation on four fiscal year 2018 measures. Our review of supporting documentation regarding the remaining four measures found: supporting documents did not show how NAIW calculated three of the measures; supporting documents did not always agree to amounts reported; there was no evidence of review by management for any measure tested; and extensive manual work was required by staff to calculate two reported measures. Additionally, NAIW does not have comprehensive policies or procedures for performance measures. (page 7)

Measures used in the State's budgeting process can be revised to incorporate outcome based performance measures. The fiscal year 2018 measures NAIW reported provide workload and timeliness statistics. Outcome based measures were not emphasized but are recommended as they better demonstrate an agency's impact on citizens of Nevada. (page 9)

NAIW does not adequately secure personally identifiable information during nonbusiness hours. Individuals who are authorized to enter NAIW's offices, such as the non-state employed janitorial crews, have access to clients' personal information including Social Security numbers and medical records in unsecured file cabinets. (page 10)

NAIW was timely in sending and requesting necessary case management documents. These documents include welcome packages to commence work on a case, claim files that contain facts of each case prior to NAIW's appointment, and case closure letters which notify clients of their right to appeal further to the District Court. (page 13)

The need for evidence and information from third-party sources delayed some cases. NAIW does not have control over the timeliness of receiving claim files, medical records, doctors' opinions, and independent medical evaluations. We found that waiting for this evidence and information contributed to delayed hearings. (page 14)