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January 12, 2023

Members of the Legislative Commission  
Legislative Building  
Carson City, Nevada

Audit reports of the Legislative Auditor are submitted to the Audit Subcommittee before the reports are presented to the Legislative Commission, as provided for in Nevada Revised Statutes 218G.240. On January 12, 2023, the Legislative Auditor presented the following reports to the Audit Subcommittee of the Legislative Commission:

- Department of Health and Human Services, Division of Health Care Financing and Policy, Dual Enrollments and Supplemental Drug Rebates (LA24-01);
- Department of Employment, Training and Rehabilitation, Rehabilitation Division (LA24-02);
- Nevada System of Higher Education, Self-Supporting and Reserve Accounts (LA24-03);
- Nevada System of Higher Education, Capital Construction Projects (LA24-04);
- Nevada System of Higher Education, Institution Foundations (LA24-05); and
- Governmental and Private Facilities for Children – Inspections, December 2022 (LA24-06).

Summaries of these reports are enclosed for your review. The Audit Subcommittee recommends the Legislative Commission accept the six reports.

Respectfully presented,

A handwritten signature in black ink, appearing to read "S Jauregui".

Assemblywoman Sandra Jauregui, Chair  
Legislative Commission's Audit Subcommittee

# Audit Highlights



Highlights of performance audit report on the Division of Health Care Financing and Policy issued on January 12, 2023.

Legislative Auditor report # LA24-01.

## **Background**

The mission of the Division of Health Care Financing and Policy (Division) is to: 1) purchase and provide quality health care services to low-income Nevadans in the most efficient manner; 2) promote equal access to health care at an affordable cost to the taxpayers of Nevada; 3) restrain the growth of health care costs; and 4) review Medicaid and other state health care programs to maximize potential federal revenue. The Division administers both Nevada Medicaid and Check Up programs.

Managed Care Organizations (MCOs) are contracted with the Division to provide covered medical services to recipients currently living in urban Clark County and Washoe County. In calendar year 2021, the State had three MCOs that provided medical benefits and one dental benefit administrator. MCOs are paid a monthly risk-based capitated rate for each enrolled recipient. Approximately 75% of the state's Medicaid and Check Up population receive medical benefits through an MCO.

In fiscal year 2021, the Division was primarily funded with federal grants totaling \$3.7 billion and state appropriations of about \$873 million. As of May 25, 2022, the Division had 314 positions authorized of which 273 positions were filled, for a vacancy rate of 13%. The Division has offices located in Carson City, Elko, Las Vegas, and Reno.

## **Purpose of Audit**

The purpose of the audit was to determine if the Division of Health Care Financing and Policy monitored certain activities related to Managed Care Organizations' enrolled participants and drug rebate payments.

## **Audit Recommendations**

This audit report contains 10 recommendations to reduce improper MCO capitation payments and improve the collection of MCO supplemental drug rebates.

The Division accepted the 10 recommendations.

## **Recommendation Status**

The Division's 60-day plan for corrective action is due on April 10, 2023. In addition, the 6-month report on the status of audit recommendations is due on October 10, 2023.

# Dual Enrollments and Supplemental Drug Rebates

## Division of Health Care Financing and Policy

### **Summary**

The Division does not have adequate processes in place to monitor certain MCO activities, which resulted in over \$34 million in improper payments and uncollected funds. Specifically, the Division does not identify individuals concurrently enrolled in other states' Medicaid programs. Consequently, the Division made improper monthly capitation payments to MCOs because federal law does not allow an individual to be enrolled in more than one state. We conservatively estimate over \$22.9 million in improper capitation payments were made during calendar years 2020 and 2021. In addition, the Division's lack of oversight related to MCOs' supplemental drug rebate payments resulted in \$6.9 million dollars going uncollected for almost 2 years. Additionally, \$4.2 million in rebates were invoiced to drug manufacturers by MCOs but not remitted to the State. Without action and effective oversight activities, improper capitation payments will continue and supplemental drug rebates will go uncollected.

### **Key Findings**

The Division does not utilize available information to identify recipients enrolled in Medicaid in another state and to end related MCO capitation payments. Because payments are automatic and made each month regardless of actual medical services rendered, significant improper payments accrue when out-of-state recipients are not identified timely, and action is not taken to disenroll them from the MCO. We identified 7,092 individuals who were enrolled in a Nevada Medicaid MCO during calendar year 2020, and also enrolled in another state's Medicaid program. For 44 of 50 (88%) recipients randomly selected and tested from the population, we observed capitation payments continued an average of 12 months after the individual enrolled in another state's Medicaid program. As a result, we conservatively estimate MCOs received over \$22.9 million in improper payments during calendar years 2020 and 2021. (page 6)

The Division's oversight of the supplemental drug rebate program is inadequate. During the 2019 Legislative Session, Senate Bill 378 was passed and included a provision that MCOs remit supplemental drug rebates to the State, less an administrative fee. This requirement went into effect on January 1, 2020. The Division issued a memorandum on March 27, 2019, to MCOs detailing the requirement to submit rebates less a 1% administrative fee at the end of each quarter. Despite issuing the memorandum, we found the Division took no additional action to collect or verify millions of dollars in supplemental drug rebates. While two MCOs remitted rebate payments to the State, one did not. After our inquiry to the Division on November 30, 2021, the MCO made a payment for \$6.9 million in supplemental drug rebates owed. Neither the Division nor the MCO could explain why payment was not remitted, even though two other MCOs submitted supplemental drug rebate payments to the Division totaling over \$7.4 million as of March 31, 2021. (page 10)

In addition, the Division did not obtain supporting documentation to ensure supplemental drug rebate payments made were accurate or timely. We requested supporting documentation and determined another \$900,000 in drug rebates was collected by MCOs, but not remitted to the State. Furthermore, another \$3.3 million in rebates was invoiced to drug manufacturers by MCOs, but remains uncollected by the MCOs. The Division has not established formal policies and procedures over the collection and review of supplemental drug rebates, and the reconciliation of supplemental drug rebates invoiced, collected, and received by MCOs. (page 10)

The Division has not complied with requirements to audit certain MCO activities related to supplemental drug rebates. State law requires the Division perform an annual audit of each MCO, including an analysis of all claims processed to evaluate supplemental drug rebate compliance. Furthermore, MCOs are required to obtain an annual audit of internal controls to ensure the integrity of financial transactions and claims processing. The results of these audits must be posted on the Division's website. According to the Division, staff turnover impacted the Division's ability to perform and obtain audits. In addition, the Division does not have policies and procedures related to the auditing of supplemental drug rebates or internal controls. Without policies and procedures, Division staff will lack adequate guidance to ensure compliance with laws and contract provisions. (page 11)

# Audit Highlights



Highlights of performance audit report on the Department of Employment, Training and Rehabilitation, Rehabilitation Division issued on January 12, 2023.

Legislative Auditor report # LA24-02.

## Background

The Rehabilitation Division's (Division) mission is to promote barrier-free communities in which individuals with disabilities have access to opportunities for competitive, integrated employment, and self-sufficiency. Services include assessments, training, treatment, and job placement.

Adult Vocational Rehabilitation (VR) enables individuals with disabilities the opportunity to obtain meaningful competitive integrated employment. In 2014, the Division began expanding services to assist youth with disabilities overcome barriers and facilitate a successful transition into the workforce or post-secondary education.

The Division is primarily funded by General Fund appropriations and federal grants. Total revenue for fiscal year 2022 amounted to nearly \$43.3 million. Expenditures from the same time were approximately \$39.7 million. The Division provides services from 13 locations throughout the State.

## Purpose of Audit

The purpose of the audit was to analyze whether the Division is performing sufficient outreach for the Pre-Employment Transition Services youth program and to determine if certain activities related to the approval and oversight of adult Vocational Rehabilitation programs are adequately monitored and approved.

The audit focused on the Division's activities related to adult and youth services in fiscal years 2020 and 2021. We also reviewed prior years' documentation back to 2009 to understand the entirety of services rendered on specific cases.

## Audit Recommendations

This audit report contains eight recommendations to improve program planning and communication and enhance managerial oversight.

The Rehabilitation Division accepted the eight recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on April 10, 2023. In addition, the 6-month report on the status of audit recommendations is due on October 10, 2023.

# Rehabilitation Division

## Department of Employment, Training and Rehabilitation

### Summary

The Division lacks the necessary processes to adequately implement the Pre-Employment Transition Services (Pre-ETS) youth program. For example, the Division fell short of meeting youth spending requirements by an average of 5% since 2018 which may result in fewer funds available for adult services. Insufficient planning also left the Division unable to ensure program and financial requirements were met. As a result, youth with disabilities in rural communities lacked equitable access to resources as students in three rural school districts did not receive any Pre-ETS services, and nine others had minimal access to services. Additionally, some school districts indicated communication and Division responsiveness has been lacking. Finally, the Division does not keep adequate records for youth services. Without adequate program planning, increased communication, and data tracking, the Division is not able to maximize funding available, and youth with disabilities are not receiving necessary services.

The Division does not have strong oversight and outreach controls over the administration of VR services. Counselors did not review an average of 41% of open cases in accordance with grant requirements in fiscal years 2020 and 2021. Additionally, Individualized Plans of Employment (IPE) costs exceeded plan amounts without adequate approval in 56% of cases reviewed. Weak controls also may allow for the misuse of services by elderly clients to obtain hearing aids without an intention to work. Finally, the Division should improve outreach to underserved populations.

### Key Findings

The Division is out of compliance with grant spending requirements. To bring spending into compliance, the Division would need to spend an average of \$814,000 more per year on Pre-ETS services or decrease adult services by an average of \$5.4 million per year. (page 7)

The Division has not adequately developed a service plan for Pre-ETS program delivery. Additionally, a lack of adequate program planning has impacted the distribution and quality of services rendered among Nevada counties. (page 8)

Some rural communities have limited, if any, services for youth, while others have more established programs. Three rural counties with high schools did not receive any Pre-ETS services in either fiscal year 2020 or 2021. Although the remaining rural school districts had services, the primary service offered was a virtual job shadow. (page 9)

The Division can increase services through enhanced collaboration and communication. School district staff were not aware of the full range of services or funding, and many school district staff expressed challenges in working with the Division. (page 12)

The Division does not have policies and procedures over accurately tracking key data points for Pre-ETS program delivery. Invoices submitted by school districts totaled approximately \$104,000 in fiscal year 2021; however, records in the Division's data management system totaled less than \$37,000. (page 13)

Thirty-three of the 80 (41%) client cases tested did not contain documentation that the clients' employment plan was reviewed or updated annually. IPE costs also exceeded plan amounts without adequate approval. Nine of the 16 (56%) cases reviewed exceeded planned spending amounts, and cases reviewed did not obtain the required supervisory approval. These nine cases totaled \$104,000 in additional spending over the level of supervisory approved amount. (page 15)

Division practices allowed elderly clients and vendors to potentially misuse services. Weak controls allowed elderly clients the opportunity to obtain hearing aids without providing documentation of employment. Further, the Division does not monitor vendors to prevent them from over referring clients to the Rehabilitation Division solely to receive services not covered by other means. (page 17)

Additional efforts are required to improve the equitability of services. Fewer Asian and Hispanic or Latino individuals obtained services when compared to the Nevada population. Additionally, Asian and Black or African American clients received less services when comparing the average cost per client. (page 17)

# Audit Highlights



Highlights of performance audit report on the Nevada System of Higher Education, Self-Supporting and Reserve Accounts issued on January 12, 2023.

Legislative Auditor report # LA24-03.

## Background

NSHE is a state-supported land grant institution established by the Constitution of the State of Nevada in 1864. NSHE is a consolidation of eight institutions of public higher education in Nevada with an administration function.

NSHE is governed by the 13 elected member Board of Regents who are responsible for executive and administrative control of NSHE. The Chancellor is responsible for developing systemwide strategies and implementing policy. More than 105,000 individuals utilized NSHE educational services for the Fall 2021 semester. However, student enrollment has declined overall the last 2 years.

NSHE institutions utilize self-supporting revenues to help pay for institution activities. Revenues consist mainly of student fees, investment income, indirect cost recoveries, and sales and service income. Student fees are allocated between state-supported and self-supporting accounts. At the end of fiscal year 2022, about \$629 million remained in self-supporting program accounts.

## Purpose of Audit

This audit was required by Assembly Bill 416 (Chapter 467, Statutes of Nevada 2021). The purpose of the audit was to analyze financial activity related to self-supporting funds and reserve accounts for fiscal years 2018 to 2021. When necessary, we included fiscal year 2022 data.

## Audit Recommendations

This audit report contains 13 recommendations to ensure self-supporting funds are utilized appropriately and to improve accountability of NSHE resources.

NSHE accepted the 13 recommendations.

## Recommendation Status

NSHE's 60-day plan for corrective action is due on April 10, 2023. In addition, the 6-month report on the status of audit recommendations is due on October 10, 2023.

# Self-Supporting and Reserve Accounts

## Nevada System of Higher Education

### Summary

Minimal systemwide oversight and variations in internal control systems and operations at institutions of the Nevada System of Higher Education (NSHE) contributed to inappropriate or questionable financial activity. This occurred because the Board of Regents (Board) has provided institutions with latitude for operations, but policies and related guidelines are often vague or insufficient, which contributes to variation amongst institutions. Our review of self-supporting accounts found some inappropriate activity. For example, institutions moved expenditures to state-supported accounts without ensuring consistency in the type of activity. In addition, state funds were not reverted in accordance with state law. We also found questionable uses of student fees when compared to Board policies. Furthermore, institutions commingled restricted and unrestricted revenues, and reports to the Board did not always provide useful, accurate, or complete information. Increased oversight of institutions will help ensure funds are used appropriately and NSHE is accountable to the Legislature, its students, and the public.

Reserve and contingency accounts are not adequately overseen by the Board. As a result, there is little consistency amongst institutions in how accounts are created, structured, and used. For instance, some institutions utilized reserve accounts for routine operational expenditures such as payroll. We also found some self-supporting programs had a significant amount of idle funds relative to total uses. These programs had about \$200 million in reserves at the end of fiscal year 2021. Excess reserves can indicate programs are overfunded and fees should be reduced, or funding should be redirected for more immediate purposes.

### Key Findings

Institutions make a concerted effort to utilize all state appropriations before other types of funding. Accounting transactions are created near year end to ensure state appropriations are fully utilized. All NSHE institutions recorded transactions to move expenditures from self-supporting to state-supported accounts in fiscal years 2018 to 2021. Of 90 transactions reviewed, 59 were related to moving expenditures near or at year end to ensure state appropriations were fully utilized. Of these 59 transactions, 9 moved expenditures between unrelated accounts or activities and 16 moved amounts across different functional categories of expenditures. (page 10)

About \$270,000 in state appropriations were not reverted and state funds were reallocated to a different institution without obtaining authorization from the Legislature. The Appropriations Act requires the return of unused state appropriations after a specified date and approval from the Interim Finance Committee for changes to the distribution of appropriations. (page 13)

We tested 250 transactions in self-supporting accounts for all institutions and found 6 (2%) in which general improvement or other restricted student fees were not used consistent with Board policy. Specifically, two institutions used a total of nearly \$6.7 million in general improvement and other restricted student fees to support athletics and band programs over several years. (page 15)

Differential and technology fees funded costs for centralized services against Board policy. One institution assessed a 3.5% administrative overhead charge to self-supporting programs. From fiscal year 2018 to 2022, nearly \$1.5 million in differential and technology fees were used to pay for centralized services. (page 15)

Target amounts were not set for reserve or contingency accounts, so institutions have little assurance accounts are funded properly at any given time. Additionally, limited oversight or monitoring of reserve activities occurs systemwide. Variation occurred because the Board has not established policies regarding these activities. (page 23)

We found 5 of 50 (10%) transactions tested totaling over \$2 million where reserve accounts were funded from sources that included student fees. We also found institutions paid normal operating costs from reserve accounts. Ten of 50 (20%) transactions reviewed included payments for payroll, printing, computer, and office equipment purchases. Paying for normal operating costs from reserve funds does not align with best practices. (page 26)

Institutions violated Board policy by not utilizing student fees on those students who paid them. Of 189 programs reviewed, 44 (23%) retained more than 1 year of revenue in reserve for at least 3 consecutive years. On average, these programs retained about two times average annual revenues at the end of fiscal year 2021. (page 26)



# Audit Highlights



Highlights of performance audit report on the Nevada System of Higher Education, Capital Construction Projects issued on January 12, 2023.

Legislative Auditor report # LA24-04.

## Background

The Nevada System of Higher Education (NSHE) oversees all state-sponsored higher education in the state of Nevada. The mission of NSHE is to provide higher education to the citizens of the State at an excellent level of quality consistent with the State's resources. Sections 4 and 7 of the Nevada Constitution vest governance and administration of NSHE in the Board of Regents (Board). The Chancellor is appointed by the Board, and is responsible for NSHE administration and financial management, and implements Board policies and directives.

The net value of capital assets for NSHE was approximately \$2.2 billion according to the fiscal year 2021 audited financial statements. NSHE capitalizes all expenditures for constructing a new building, including major improvements, additions, or major building alterations that involve an expenditure of at least \$250,000. Funding for capital construction comes through a variety of sources including state, federal, institution, and private funds.

## Purpose of Audit

The purpose of the audit was to determine if the University of Nevada, Las Vegas and the University of Nevada, Reno managed capital construction projects in accordance with laws, policies, and appropriate management standards. Our audit included a review of capital construction projects that were solicited, in progress, or completed between fiscal years 2019 and 2021.

## Audit Recommendations

This audit report contains four recommendations to improve compliance with state laws and sound budgeting practices regarding capital construction financing and management, nine recommendations to help control change orders and strengthen project close out practices, and five recommendations to strengthen procurement practices.

NSHE accepted the 18 recommendations.

## Recommendation Status

NSHE's 60-day plan for corrective action is due on April 10, 2023. In addition, the 6-month report on the status of audit recommendations is due on October 10, 2023.

# Capital Construction Projects

## Nevada System of Higher Education

### Summary

The Nevada System of Higher Education needs to enhance its policies and procedures to ensure institutions' capital construction project funding and management practices comply with state laws, NSHE policies, and contract terms. Funding of some capital construction projects used state-appropriated operating funds, and institutions did not have authority to manage some state-funded projects. In addition, change order documentation was not always adequate to ensure contractors' billed amounts complied with contract terms, and some unallowed amounts were billed. Furthermore, better project planning is needed to limit unnecessary modifications to construction contracts' scopes of work. Proper controls over construction project management are critical for ensuring compliance with applicable state laws and NSHE policies, and to safeguard financial resources.

Better controls over project solicitation and procurement practices are needed to ensure compliance with state law and NSHE practices. Specifically, some project solicitations did not comply with state law regarding the disclosure of selection criteria weights. In addition, delays in evaluating contractor proposals and reviewing contract documents added \$1.8 million to a project contract. Furthermore, institutions used some nontraditional procurement methods for capital construction projects. Current practices associated with the use of these methods may limit institution control over project construction when compared to more traditional methods.

### Key Findings

The University of Nevada, Las Vegas (UNLV) and the University of Nevada, Reno (UNR) used almost \$5 million in state operating funds to help pay for capital construction. For 10 of 27 (37%) projects tested, UNLV and UNR used state operating funds. The Appropriations Act designates these funds for instructional and operating costs, and not capital construction. Institutions use of these funds was often done so they would not revert to the State. (page 7)

UNLV and UNR's management of capital construction projects using state operating funds did not always comply with state laws and NSHE policy. State law requires that contracts for the construction of NSHE projects with 25% or more state appropriations use the construction management services of the Department of Administration, State Public Works Division (SPWD). For 3 of 27 (11%) projects tested, the use of state funds represented more than 25% of the total project funding. Neither the institutions nor NSHE requested authority from SPWD to manage these projects. (page 11)

Change order documentation was often not adequate to determine compliance with contract terms. When a change to a project is needed, involving contract amount or timing, change orders are required to amend construction contracts. We tested 49 change orders worth \$8.3 million related to 27 capital projects. For almost \$3.1 million (37%), supporting documentation did not include detailed labor, material, equipment, or overhead and profit markup fees. In addition, unallowed costs or incorrect markup fees were charged. For change order items with adequate documentation, we found 38 of 49 (78%) change orders included unallowed costs or incorrect markup fees. This resulted in over \$200,000 in inappropriate payments to contractors. (page 17)

Scope modifications to the original construction contract increased project costs by \$5.5 million and resulted in additional overhead and profit markup fees of more than \$800,000. These changes to the projects' scopes could have been included in the original solicitation process with better project planning. When a project's scope is modified through change orders, noncompetitive pricing and overhead and profit markup fees drive up the cost of these changes. (page 22)

Institutions' project closeout processes did not ensure compliance with state law regarding reporting requirements or ensure important documentation was received prior to the final project payment. In addition, excess project funding was not transferred timely. (page 25)

Institutions are using nontraditional procurement methods to complete capital construction projects. For one project, a public-private partnership was used for the construction of a new \$125 million medical education building, at a cost of \$25 million to the State. However, it is unclear whether institutions have statutory authority to use this method. In addition, the use of nontraditional methods compared to traditional methods resulted in less control and oversight over construction project management and financial activities. (pages 29)

# Audit Highlights



Highlights of performance audit report on the Nevada System of Higher Education, Institution Foundations issued on January 12, 2023.

Legislative Auditor report # LA24-05.

## **Background**

The Nevada System of Higher Education (NSHE) includes eight institutions which accept privately donated money through each institution's foundation(s). The foundations serve as the primary fundraising, community relations, and gift management agency for their respective institutions. These efforts typically include managing annual giving programs, scholarship giving programs, facilities support, and estate planning services on behalf of and to benefit each institution. Each foundation is a non-profit corporation established for charitable and educational purposes and is a tax-exempt entity in accordance with Section 501(c)(3) of the Internal Revenue Code.

Donations received by foundations are recorded as either unrestricted, restricted, or endowed support depending on the existence or nature of any donor restrictions.

The foundations' financial statements are provided to the NSHE Board of Regents each year and are made available publicly on the Board of Regents' website.

## **Purpose of Audit**

This audit was required by Assembly Bill 416 (Chapter 467, Statutes of Nevada 2021). The scope of our audit included an examination and analysis of the sources and uses of money privately donated to certain NSHE institutions in fiscal year 2018 through fiscal year 2021. We also tested select transactions from fiscal year 2022 as deemed necessary. The purpose of the audit was to determine if privately donated money was appropriately recorded and spent in accordance with donors' intended purposes.

## **Audit Recommendations**

This audit report contains three recommendations to ensure adequate policies are in place related to documenting acknowledgment letters or donation receipts, verifying key control processes are occurring, and reviewing inactive gift accounts.

NSHE accepted the three recommendations.

## **Recommendation Status**

NSHE's 60-day plan for corrective action is due on April 10, 2023. In addition, the 6-month report on the status of audit recommendations is due on October 10, 2023.

# Institution Foundations

## Nevada System of Higher Education

### **Summary**

We found almost all gift donations were assigned to the appropriate foundation gift account in accordance with the donors' intent. However, there were instances in our sample where this did not occur consistently at a couple institutions' foundations. Additionally, while most donations were properly recorded, there were some differences in how certain related processes were performed. Specifically, records were not always maintained to demonstrate gift acknowledgement letters or receipts were issued to donors for every gift. Improved recordkeeping will help ensure donors receive adequate documentation to serve as support for tax deductible donations.

We found institutions generally expended gift funds in accordance with donor intent. However, some institutions carried forward unspent gift funds for multiple years that possibly could be utilized through related active accounts or be repurposed for other uses if agreed upon by donors. Additionally, in a few instances, gift funds were expended in a manner that did not appear to align with donors' intent. During the scope of our audit, changes to one institution's practices appear to have corrected this issue. In other cases, documentation supporting expenditures lacked some supporting details.

### **Key Findings**

Overall, our testing found 763 of 774 (99%) sampled donations at 7 institutions were properly recorded by the foundations in appropriate gift fund accounts at the institutions. This sample included \$116 million in donations received between July 1, 2017, and June 30, 2021. We confirmed the dollar value of the donation and the categorization in an appropriate gift fund aligned with the donation. (page 8)

Adequate documentation associated with donations and accompanying donor wishes were generally retained to support transactions. However, in certain instances, foundations could not provide evidence that all donation acknowledgment letters were sent to donors. For 65 of 774 (8%) donations tested, letters or donation receipts were not available at 5 of 7 foundations. (page 9)

During testing at College of Southern Nevada (CSN) Foundation, we found for 7 of 110 (6%) samples there were errors between the donation information recorded in CSN Foundation's donor management software and the CSN Foundation's financial software. These errors were not seen at other institutions' foundations. (page 11)

At Great Basin College (GBC) Foundation, we identified one instance where donated money was not applied to the correct gift fund in accordance with donor intent. In 2018, a donation of almost \$94,000 designated by the donor for a memorial scholarship endowment was assigned to an unrestricted GBC Foundation account. We verified the money was transferred to the correct gift fund in October 2022. (page 11)

Our testing found 686 of 690 (99%) gift fund expenditures tested were appropriately spent in accordance with the intended purpose of the gift fund. This sample included expenditures totaling \$23 million spent between July 1, 2017, and June 30, 2021. Additionally, adequate documentation associated with the expenditures was retained to support the transactions for 680 (99%) of the expenditures in our sample. (page 13)

At six institutions, we found that privately donated money went unutilized in certain accounts for multiple years. While some of these accounts may be saving funds for a future purpose, many did not have donation or expenditure activity for at least 5 years. Some institutions' gift funds would benefit from a routine review of stale accounts to identify opportunities to repurpose funds to other actively utilized accounts consistent with the donations' intended purpose. (page 14)

While 99% of donor funds were used in accordance with donor intent, we did find instances where this was not the case. At some institutions, we found a few instances where gift expenditures did not have sufficient supporting documentation or evidence the expenditure was in alignment with the intended purpose of the gift funds. In our assessment, these were not egregious deviations but warranted the attention of the institutions. (page 16)

# Report Highlights



Highlights of Legislative Auditor report on the Governmental and Private Facilities for Children – Inspections issued on January 12, 2023.

Legislative Auditor Report # LA24-06.

## **Background**

Nevada Revised Statutes (NRS) 218G.570 through 218G.595 authorize the Legislative Auditor to conduct audits of governmental facilities for children and reviews, inspections, and surveys of governmental and private facilities for children.

As of June 30, 2022, we had identified 57 governmental and private facilities that met the requirements of NRS 218G. In addition, 105 Nevada children were placed in 14 different out-of-state facilities across 6 different states as of June 30, 2022.

NRS 218G requires facilities to forward to the Legislative Auditor copies of any complaint filed by a child under their custody or by any other person on behalf of such a child concerning the health, safety, welfare, and civil and other rights of the child. During the period from July 1, 2021, through June 30, 2022, we received 636 complaints from 30 facilities in Nevada. Twenty-seven Nevada facilities reported that no complaints were filed during this time.

## **Purpose**

Inspections were conducted pursuant to the provisions of NRS 218G.570 through 218G.595. This report includes the results of our inspections of 19 children's facilities. As inspections are not audits, these activities were not conducted in accordance with generally accepted government auditing standards.

The purpose of our inspections was to determine if the facilities adequately protect the health, safety, and welfare of the children in the facilities, and whether the facilities respect the civil and other rights of the children in their care.

Inspections included discussions with management, a review of personnel and child files, and observations. Discussions with facility management included the following topics: medication administration, treatment plan process, abuse or neglect reporting, face sheet creation, complaint process, employee background checks and training, and related policies and procedures. In addition, we judgmentally selected files to review which included: personnel files for evidence of employee background checks and required training; and child files for evidence of children's acknowledgment of their right to file a complaint, medication administered, treatment plans, and face sheet information.

# Governmental and Private Facilities for Children – Inspections December 2022

## **Summary**

In 14 of 19 children's facilities inspected, we did not note significant issues that caused us to question the health, safety, welfare, or protection of the rights of the children. However, at the five facilities listed below we identified multiple issues that caused us to question whether the facility adequately protected the children in its care. Based on our observations, we contacted the facilities' licensing agencies and communicated our concerns.

### Nevada Homes for Youth

We noted health, safety, welfare, and other issues at Nevada Homes for Youth. Health issues included: incomplete and inaccurate medication records, children self-administering medication, missing medication, contraband, child intoxication, and missing treatment plans. Safety issues included: unsecured chemicals, outdated first aid kit supplies, broken electrical outlets, a broken window, missing statutorily required personnel records, and face sheets were not readily available to staff. Welfare issues included: unsanitary living conditions, inappropriate age-related activities, and the complaint process was not posted. Other issues included: incomplete training records, incomplete and altered child records, and policies and procedures were weak. (page 4)

### Never Give Up Youth Healing Center

We noted health, safety, welfare, and other issues at Never Give Up Youth Healing Center. Health issues included: incomplete and missing medication records, administration of medication without consent, and staff were unaware of children's treatment plans. Safety issues included: unsecured laundry supplies and chemicals, damaged property that posed safety hazards, missing statutorily required personnel records and training, missing documentation that an incident was reported in accordance with mandated reporting requirements or investigated internally in accordance with facility policy, and face sheets were not readily available to staff. Welfare issues included: unsanitary living conditions; beds missing pillowcases, sheets, and bed coverings; inappropriate age-related activities; and unsecured complaint boxes. Other issues included incomplete training records and policies and procedures were weak. (page 8)

### 3 Angels Care

We noted health, safety, welfare, and other issues at three of 3 Angels Care homes. Health issues included incomplete and missing medication records and a missed medication administration for a child. Safety issues included: unsecured tools, chemicals, and laundry supplies; an outside locking storage room being used as a place to sleep; children of opposite gender sharing a room; and lack of supervision. A welfare issue included the use of a storage room as a "quiet room." Other issues included incomplete personnel records and policies and procedures were weak. (page 12)

### Advanced Foster Care Homes

We noted health, safety, welfare, and other issues at two homes licensed by the Advanced Foster Care program. Health issues included incomplete and missing medication records and incomplete and missing treatment plans. Safety issues included: unsecured tools, chemicals, and knives; fire escapes were not posted, and documentation of fire drills were missing; storage of medication was not readily available; and missing documentation to support a repeat background check for a foster parent. Welfare issues included: complaint forms not being readily available, the complaint process not being posted, no documentation that children were made aware of their right to file a complaint, and a complaint on behalf of a child was not forwarded to the Legislative Auditor. Other issues included missing and incomplete training records and policies and procedures were weak. (page 14)

### Prison Rape Elimination Act (PREA)

In two of eight correction and detention facilities inspected, we noted issues that prompted us to question whether the facilities adequately implemented a PREA process in accordance with federal regulations. PREA standards require the facilities to use a screening tool to assess children for sexual victimization or abusiveness. Two facilities used a screening tool which did not assess for 10 of 11 items required by screening standards. (page 17)