



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

**Minutes
January 12, 2023**

The third meeting of the Audit Subcommittee of the Legislative Commission for the 2021–2022 Interim was held on Thursday, January 12, 2023, and called to order at 9:01 a.m. in Room 4412, Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was simultaneously videoconferenced to the Legislative Building, Room 4100, 401 South Carson Street, Carson City, Nevada. The meeting was adjourned at 11:02 a.m.

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/Video/>. Copies of the audio or video record can be obtained through the Publications Office of the Legislative Counsel Bureau (publications@lcb.state.nv.us or 775-684-6835).

AUDIT SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Marilyn Dondero Loop, Senatorial District No. 8, Vice Chair
Senator Scott Hammond, Senatorial District No. 18
Assemblymember Brittney Miller, Assembly District No. 5

AUDIT SUBCOMMITTEE MEMBER ATTENDING VIA REMOTELY:

Assemblymember Jill Dickman, Assembly District No. 31

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN LAS VEGAS:

Daniel L. Crossman, Legislative Auditor, Audit Division

COMMITTEE MEMBER ABSENT:

Assemblymember Sandra Jauregui, Assembly District No. 41, Chair (Excused)

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY:

Shannon Riedel, Chief Deputy Legislative Auditor, Audit Division
Eugene Allara, Audit Supervisor, Audit Division
Shirlee Eitel-Bingham, Information Security Audit Supervisor, Audit Division
Tammy A. Goetze, Audit Supervisor, Audit Division
Jennifer M. Otto, Audit Supervisor, Audit Division
Todd C. Peterson, Audit Supervisor, Audit Division

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY (cont.):

Amanda Barlow, Deputy Legislative Auditor, Audit Division
Hailey Cornelia-Swift, Child Welfare Specialist, Audit Division
William F. Evenden, Deputy Legislative Auditor, Audit Division
Zackary Fourgis, Deputy Legislative Auditor, Audit Division
Scott Jones, Deputy Legislative Auditor, Audit Division
Dameon A. Meeks, Deputy Legislative Auditor, Audit Division
James T. Thorne, Deputy Legislative Auditor, Audit Division
Deborah A. Anderson, Secretary, Audit Division
Lisa Creamer, Policy Assistant, Research Division

The minutes are recorded in the meeting order.

Senator Marilyn Dondero Loop (Vice Chair):

Welcome to the third meeting of the Audit Subcommittee this interim and please excuse Chair Assemblymember Sandra Jauregui. Ms. Lisa Creamer, will you please call the roll?

Lisa Creamer (Policy Assistant, Research Division)

Ms. Creamer called roll and a quorum was present.

Vice Chair Dondero Loop:

Special thanks to all of those who are participating in the meeting today. We have representatives from various state agencies, and the Nevada System of Higher Education (NSHE) and the county child welfare agencies with us today.

A couple of important housekeeping items for those individuals on zoom. The chat feature is only to be used for communication with BPS [Broadcast and Production Services] for technical assistance. It is not to be used for any communication between Members or by presenters unless you are requesting technical assistance with BPS. Before we begin for the benefit of the audience and those wishing to speak, we will have two periods of public comment today, one at the beginning of the meeting and one at the end of the meeting. Public comment is limited to three minutes per speaker. There are five ways to provide public comment and those are (1) in person in Las Vegas or Carson City; (2) call (669) 900-6833, enter the Meeting ID 88487570277, followed by #; (3) email to LCAudit@lcb.state.nv.us; (4) mail written comments to the Audit Division, 401 South Carson Street, Carson City, Nevada 89701; or (5) fax or scan them to (775) 684-6435.

Thank you all for being here today and we will start with Agenda Item II, Public Comment. Is there anyone here in person who would like to make public comment in Las Vegas? Seeing none, is there anyone in Carson City who would like to make public comment? Seeing none, we'll go to the phone lines BPS when you are ready.

BPS:

Thank you, Vice Chair Dondero Loop the public line is working; however, there are no callers wishing to provide public comment at this time.

Vice Chair Dondero Loop:

Okay, thank you very much. We will move to Agenda Item III, which is Approval of the Minutes for the Meeting on May 4, 2022. Are there any questions, comments, or changes regarding the minutes? Seeing none, I will take a motion to approve the minutes.

ASSEMBLYMEMBER MILLER MOVED TO APPROVE THE AUDIT SUBCOMMITTEE MINUTES OF THE MAY 4, 2022, MEETING.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

We will start with the Agenda Item IV, Presentation of Audit Reports. Mr. Crossman when you are ready, please go ahead.

Daniel L. Crossman (Legislative Auditor):

Thank you, Vice Chair. Under Agenda Item IV, we have five performance audit reports to present. These reports have been maintained confidential until they are being presented today. Copies of those reports will be made available on our website following the meeting.

I would like to just take a quick moment to express my appreciation to my staff. First of all, for the work they put into completing these audits. We see the tip of the iceberg often with a short report that summarizes the work that has been done. But recognizing that there are thousands of hours and documents that sit behind that work.

Additionally, I would like to thank the agencies for all their cooperation and the work that goes into assisting us in the audit process. We recognize that they do make some sacrifices to help us ensure that we can get our job done as well. So, with that Vice Chair, I will turn it back over to you to introduce the first sub agenda item IV A.

Vice Chair Dondero Loop:

Thank you very much, and I also appreciate you and your staff. All right, so we will go to Agenda Item IV A. Nevada System of Higher Education, Self-Supporting and Reserve Accounts. We have Shannon Riedel and Damien Meeks here to present the report.

Vice Chair Dondero Loop:

I see you in Carson City. Thank you. Good morning.

Shannon Riedel (Chief Deputy Legislative Auditor):

Good Morning Vice Chair Dondero Loop and Members of the Audit Subcommittee. We will start with some background information on page 1. NSHE [Nevada System of Higher Education] is a state-supported land grant institution established by the Constitution of the State of Nevada in 1864. NSHE has eight institutions with an administrative function; two Universities, one College, four Community Colleges, and one Research Institute. Continuing on page 2, NSHE is governed by the Board of Regents (Board), a 13-member elected body that is responsible for executive and administrative control. The Nevada Constitution requires the Legislature to appropriate funding from the State's General Fund to support NSHE activities. NSHE also receives student tuition and fees, grants and contracts, sales and services, contributions, gifts, and investment income.

On page 6 we provide more detail regarding self-supporting programs and activities. 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 registration fees are allocated between state-supported and self-supporting accounts. Student registration fees in self-supporting accounts can be used for Student Access Fees or student financial assistance, General Improvement Fees are to be used on services that enhance the educational experience, Capital Improvement Fees are for buildings and infrastructure, Activities and Programs Fees are for student activities and fees that support the student associations. At the end of 2022, about \$629 million remained in self-supporting program accounts.

Our scope and objective can be found on page 8. This audit was required by AB [Assembly Bill] 416 of the 2021 Legislative Session. The objective was to analyze financial activity related to self-supporting accounts and reserve accounts for fiscal years 2018 to 2021.

Our findings and recommendations begin on page 9. Minimal systemwide oversight and variations in internal control systems and operations at NSHE institutions contributed to inappropriate or questionable financial activity. Significant financial transactions at or near year-end moved expenditures between state-supported and self-supporting accounts to utilize all state funding. Additionally, few controls exist over these transactions so expenditures did not always align with the appropriate category.

If you turn to page 10, we have Exhibit 4. This exhibit shows total state appropriations and related reversions for fiscal years 2018 to 2022. As you can see, less than 1% of state appropriations have been reverted over these years. This has occurred because institutions can revise approved budgets and also initiate accounting transactions that move expenditures between accounts each fiscal year with limited Board or Legislative oversight.

As we continue to discuss on page 11, NSHE's budget was, at one time more detailed and subject to Legislative scrutiny, but after 1991 state appropriations were provided in a lump sum allocation. A legal opinion received for our audit in 1996 discusses some of the limitations the Legislature has on monitoring the activities of NSHE. Per the Nevada Constitution,

management and control of system activities, including the expenditure of money appropriated, is the responsibility of the Board of Regents.

At the bottom of page 11, we discuss a policy consideration for the Legislature. Here we discuss that NSHE has flexibilities other agencies receiving state appropriations do not have and that this flexibility does not necessarily equate to approval by the Legislature to utilize state funds by any available means. As such, the Legislature may wish to consider whether NSHE's actions to move expenditures from self-supporting accounts to utilize all state funds first meets with Legislative intent.

We will continue with our findings and recommendations starting on page 13. Here we also found some activities from self-supporting accounts bypassed state law. We discuss that \$270,000 in state appropriations were not reverted when used to offset centralized services in a self-supporting account. Additionally, as noted on page 14, reallocations of about \$2.4 million in general fund appropriations were not approved by the Interim Finance Committee as required by the Appropriations Act.

Continuing on pages 15 and 16, we discuss that some student fees were not used appropriately. We found two institutions used about \$6.7 million in General Improvement Fees for athletics and band costs. Board policy indicates these fees should be expended to enhance the educational experience of the student body. Our concerns regarding using General Improvement Fees for athletics and band include that funds may not be used for educational purposes and may only benefit a small number of students compared to the student body at large. Additionally, we found one institution used Differential and Technology Fees for centralized administrative services. During fiscal years 2018 to 2022, nearly \$1.5 million in Differential and Technology Fees were used to pay for centralized services and institutional priorities. Board policy states these fees should directly support the high cost or volume of the programs for which they are approved. The institution was able to use some student fees for questionable purposes because institutions have significant autonomy to develop and maintain internal control systems and few systemwide controls to monitor individual institution activities exist.

On pages 18 and 19 we discuss issues with reporting. Certain reports regarding student fees lacked sufficient detail to adequately monitor this issue. The Board requires each institution to report the amount of student fees remaining unexpended each year. However, reports provided information for each fee overall without the detail needed to monitor individual programs or specific student fee reserves. Exhibit 5 on page 19 shows an example of the reports provided. Because reports provide general information and include other sources of funding, individual, program-specific accounts may not receive adequate scrutiny.

On page 21 we have eight recommendations to establish control and oversight regarding transfers, student fees, and reporting.

Our next chapter deals with reserves not being adequately managed by NSHE and begins on page 23. The use of reserve and contingency accounts varied widely among institutions. Some institutions established multiple reserve accounts and others had one. Exhibit 6 on page 24 shows the variation in the number of accounts and activity related to reserve accounts for fiscal years 2018 to 2021. Board policy addresses one contingency reserve account for System Administration indicating a target of 30% of the prior year's annual income should be

established for shortfalls in revenue or unbudgeted expenditures. However, Board policies do not address sufficient reserve levels at institutions or provide guidance for establishing reasonable limits on balances.

As we note on page 25, while most reserve accounts were funded with unrestricted revenue sources, we found about 10% of funding transactions tested for \$2 million were funded from sources that included student fees. Board policies are vague on whether these student fees can be used to fund reserve accounts. Also, we found about 20% of expenditure transactions tested were for normal operating costs that included payroll, printing, computer, and office equipment. These do not align with best practices regarding reserve accounts.

Continuing on pages 26 to 29 we discuss that student fees and other funds were not utilized timely. We found 44 of 189 programs with student fees retained more than 1 year of revenue for at least 3 consecutive years. On average, these programs retained about two times the average annual revenues and amounted to about \$20.7 million at the end of fiscal year 2021. Exhibit 7 on page 27 shows the programs with the highest ending balances on June 30, 2021. Holding student fees in reserve for 2 years or more violates Board policy and suggests there may be an opportunity to reduce fees. As noted earlier, Board policy requires institutions to report student fees and related ending balances to the Board annually, but the lack of detail in reports prevents the Board from conducting a thorough review of student fees.

Other self-supporting programs funded with investment income, sales and service, and other operating revenues also retained significant funds over the 4-year period. Of 999 programs reviewed, 147 carried balances that exceeded 75% of annual uses. These 147 programs retained about \$179.4 million in funds at the end of fiscal year 2021. Exhibit 8 on page 29 shows the number of programs and the related cumulative average balance over our audit scope period. In certain instances, retaining a high balance in the program from 1 year to the next may be appropriate; however, little systemwide monitoring of self-supporting program balances exists and the Board has not developed policies over non-student fee self-supporting programs. We have an additional 5 recommendations on pages 29 and 30 that cover reserve and contingency accounts.

Our last chapter covering pages 31 to 35 relates to the structure, monitoring, and control practices over NSHE's investment operating fund. We found these practices were reasonable and NSHE was able to offset most of the mandatory budget reductions related to the pandemic from reserves and gains on the investment account. Exhibit 9 on page 32 shows those budget reductions and the related investment distributions meant to offset some or all of the reductions. Additionally, Exhibit 10 on page 33 shows the various types of relief NSHE had available for use related to the pandemic. Finally, Exhibits 11 and 12 on pages 34 and 35 show each institution's average daily balance for June 2022 and the operating pool and reserve account balances from June 30, 2018, to 2022.

On pages 38 to 42, is our Appendix B which shows each institution's self-supporting accounts financial activity for fiscal years 2018 to 2022. Appendix C on page 43 begins our methodology and NSHE's response to our audit begins on page 48. As shown on page 50, NSHE accepted all 13 recommendations. That concludes my presentation. I would be happy to answer any questions you might have.

Vice Chair Dondero Loop:

Thank you so much for that information. Do I have any questions from the Committee? Senator Hammond, please.

Senator Scott Hammond:

Thank you, Madam Vice Chair. The question I have goes back to Exhibit 10 of the report. You were talking about the money that NSHE used to try and fill the hole that COVID-19 created. I know that NSHE has investments. Did they take some of the money from those investments to help fill the hole? Did they have money coming in from the federal government and other money? At that point, that is where it gets murky for me. How did they and what was used to fill the hole? Did they put money back into the investments? Just kind of curious, about what happened with the money because it looks like they received money from the federal government to help supplement the COVID-19 loss.

Ms. Riedel:

I do not have all of the specific details regarding how all of this money was used, but on a brief overall level, the investment income distribution was made specifically to cover the gap on the budget reductions that were required from Governor Sisolak and then through the Legislature in the Special Session. However, the second distribution was made in August of 2021, I believe. In December, the Coronavirus Response and Relief Supplement Appropriation Act kicked in; so, all of the institutions did not necessarily need to use all of that investment distribution. Partly because they already covered some of those budget reductions because they had to be done earlier in fiscal year 2020. Partly because the 2021 reductions had not taken full effect yet because they were only at the beginning of that fiscal year. So, some of those investment income distributions were not needed once the federal supplemental dollars were available and some of that money was even still sitting in certain accounts at certain institutions at the end of fiscal year 2022.

Senator Hammond:

Okay, I just want to know if they were made whole, it sounds like they were made whole, and in some cases, they did not even use the money. Thank you.

Vice Chair Dondero Loop:

Any additional questions? I just have one. I have concerns over the use of student fees. Because it seems, just thinking back over many years, it seems like we kept raising student fees, but they were not being used necessarily for the direct student. We just raised student fees, I think, at UNLV [University Nevada, Las Vegas] for something. I guess my question is, moving forward how are we going to spot-check or make sure that we do not keep raising fees for the students? I do not know if that is a you or the Chancellor's question.

Ms. Riedel:

That might be a better question for NSHE personnel. They have several different kinds of student fees, but I do not know what their intention is, or how they intend to implement the recommendations to make sure student fees are adequate and not too high.

Vice Chair Dondero Loop:

Thank you very much and they are at the table. Please go ahead when you are ready Chancellor.

Dale Erquiaga (Acting Chancellor, NSHE):

Thank you, Madam Vice Chair and Members of the Subcommittee. I would like to thank your staff and Mr. Crossman for his work on this. As I think the Subcommittee is aware, I became Chancellor in July, this audit was underway, and the audit scope period is a time that I was not Chancellor. But, Mr. Clinger who is here with me has been with the system through the scope period. So, I just want to acknowledge your staff. They have been very thorough and very helpful to me as we sort through these recommendations. Specific to the question about what we will do, you will see in our acceptance of all the recommendations, we have already begun working on policy changes.

NSHE is, as the Committee is no doubt aware, really eight agencies within an agency. The Board [Board of Regents] has, at differing times, sort of a loose-tight arrangement of delegation of authority to the institutional Presidents. Sometimes we are tighter, sometimes we are looser, and what I see here is particular to student fees. This came up at our December meeting and this is, I think, of primary concern to the Board of Regents, that we do not overcharge students and that if we are charging students that we are certain that those monies are spent on the function that we said it would be spent on.

I find in this audit a good deal of advice for us to improve Board policy about how student fees are allocated and spent and Board policy about what to do if there are reserves. If more monies are collected in 1 year then how they might be carried into the next year.

I also find recommendations here for an increased monitoring role. We are very grateful that your auditors were able to go through our books in this depth. Mr. Clinger, Chief Financial Officer, does not have a monitoring department. We have an Internal Audit Department which incidentally reports directly to the Board of Regents and does not report to me as Chancellor. But we see here some need for us to change our monitoring role on an ongoing basis so time does not lapse.

So, after that lengthy explanation, Madam Vice Chair, the short answer to your question is we will propose policies at the Board level to govern both the allocation of student fees, to be clear how an institution ought to use them, and the reserve use if balances are accrued. If I got any of that wrong, Mr. Clinger will correct me.

Andrew Clinger (Chief Financial Officer, NSHE):

The Chancellor got everything correct. I think the only thing I would point out when it comes to student fees is that current Board policy does require that we carry forward no more than 1 year of student fees as shown in Exhibit 5 of your audit on page 19. That is the report that we typically send to the Board. What your staff found, and we are appreciative of your staff, is that within that, so we roll that up at a very high level as you can see on Exhibit 5. So, what your staff has identified is that many programs individually had funds in excess, but when you roll them all up you do not see it. So, part of what we need to do is provide more detailed and better reports for the Board so that they can see where we do have excess student fees because in this report you will not see them if they are within a single program.

Vice Chair Dondero Loop:

I appreciate that clarification from both of you. Because I think that is always an important piece when we keep adding student fees; whether it is \$0.20 or \$1, you know those start to add up to the cost of higher education. Thank you very much for the clarification and putting that on the record. I appreciate that.

Any additional questions from the Committee? Seeing none, I will take a motion to approve the audit report.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE PERFORMANCE
AUDIT REPORT ON THE NEVADA SYSTEM OF HIGHER EDUCATION,
SELF-SUPPORTING AND RESERVE ACCOUNTS.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

We will move on to Agenda Item IV B which is the review of the audit of the Nevada System of Higher Education, Capital Construction Projects. Welcome Mr. Thorne and Mr. Peterson to the table and please go ahead when you are ready.

James Thorne (Deputy Legislative Auditor):

Thank you, Vice Chair and Committee Members. Beginning on page 1 and continuing through page 5, we provide background information on the Nevada System of Higher Education (NSHE), including the agency's mission, and more specifically the funding, management, and procurement of capital construction projects. This section includes two exhibits that highlight capital construction spending and state-approved funding.

On page 6, we state our audit scope and objective. The objective of this audit was to determine if the University of Nevada, Las Vegas (UNLV) and the University of Nevada, Reno (UNR) managed capital construction projects in accordance with laws, policies, and appropriate management standards.

The audit findings begin on page 7, where we note that NSHE needs to enhance its policies and procedures to ensure institutions' capital construction project funding and management practices comply with state law and NSHE policy. Specifically, UNLV and UNR used almost \$5 million in state-appropriated operating funds to help pay for the capital construction projects we tested. These state operating funds were not appropriated by the Legislature for use in capital construction. Ten of 27 (37%) of projects tested at both institutions used state-operating funds. Exhibit 3 on page 8 shows the state-appropriated operating funds used and total project costs for the 10 projects. Exhibit 4 on page 9 shows the use of those state-appropriated funds including construction and design services costs.

On page 10, we note the practice of using state operating funds for capital construction was so these funds would not revert to the State. For example, one project showed institution staff issued a change order to use state operating funds that otherwise should have been reverted to the State at the end of fiscal year 2019. This was done through a change order that increased the project scope to add floor insulation material at a cost of over \$190,000. Through the Appropriations Act, unused state operating funds provided to NSHE must be reverted to the State. Furthermore, the Board of Regent policy states that funding derived through state funds must be used to the greatest extent possible in support of student credit-based instruction.

Continuing on page 11 the report discusses how state law requires NSHE projects funded with at least 25% of state appropriations, to use the construction management services of the State Public Works Division. In addition, NSHE policy requires all projects, funded in whole or in part with state appropriations, to be managed by the State Public Works Division. However, State Public Works did not manage the construction for 10 of 27 (37%) projects tested that used state operating funds, including 3 projects with greater than 25% of the construction costs paid with state-appropriated operating funds.

On page 13, we note that completed construction projects exceeded funding and project accounts carried a deficit. For 4 of 24 (17%) completed projects tested, the expenditures exceeded the budget and project funding. For example, one project's expenditures were \$32 million, which exceeded the available funding and budget by \$6.6 million. In addition, we observed the accounts for these projects had deficit balances from 1.5 to 3.5 years after payment of the final construction contract amounts.

Pages 15 and 16 contain four recommendations to improve compliance with state laws and sound budgeting practices regarding capital construction financing and management.

Beginning on page 17 and continuing on page 18, we discuss institutions needing stronger oversight of capital construction project management to improve the accountability of contractors and project managers. We observed change order documentation at both institutions was often not sufficient to determine compliance with contract terms and to ensure proper amounts were paid. We tested 49 change orders worth \$8.3 million from 27 capital projects and almost \$3.1 million (37%) of supporting documentation did not include detailed labor, material, equipment, or overhead and profit markup fee amounts. In addition, 12 of 49 (25%) change orders tested lacked detailed supporting documentation for 70% or more of the project amount billed. Exhibit 5 on page 18 shows the unsupported change order number and amounts for projects tested at UNLV and UNR.

For change order items with adequate documentation, we observed 38 of 49 (78%) of the change orders tested had unallowed costs or incorrect markup fees. This resulted in over \$200,000 in inappropriate payments to contractors. On page 19 we give some examples of unallowed change order costs. For example, a general contractor charged \$14,000 for supervision and project administration on top of a \$6,000 overhead and profit markup fee despite supervision and project management being included in the 10% markup fee per the contract.

On pages 22 to 24, we discuss how scope modifications through change orders increased project costs by \$5.5 million and resulted in additional overhead and markup fees of more than \$800,000. At UNLV we tested \$3.7 million in change orders and found \$2.5 million (69%) were the result of scope modifications that were not due to unforeseen circumstances. Unforeseen circumstances are issues that were not known when planning the project like hazardous materials found on the construction site. UNLV for example spent over \$441,000 to upgrade paint for a parking garage after a department requested it, despite the original project scope including high-performance paint. At UNR, we tested \$5.7 million in change orders and observed scope modifications increased project costs by \$3 million (53%). Scope modifications also include additional costs as overhead and profit fees of 10 to 15% are added to the noncompetitive pricing and also compound as each subcontractor charges their markup fee and the general contractor adds their fee for the overall change order cost.

Pages 25 to 27 discuss the need for institutions to improve their project closeout processes to ensure compliance with state law, guarantee appropriate documentation is collected prior to final payment, and safeguard project funding. For example, the Labor Commissioner was not always notified of project completion and 8 of 22 (36%) of projects were not reported to the Labor Commissioner until after the final contractor payment was made. NRS 338.013 requires the public body to report the completion of all work performed under the contract to the Labor Commissioner before the final payment is made. In addition, critical project documentation was either never obtained, issued, or received in a timely manner. Specifically, required project closeout documentation was never obtained for 11 of 22 (50%) of the completed projects tested; and for 19 of 22 (86%) projects, final payment was issued before receiving documentation. When institutions do not comply with the law relating to the timely notification to the Labor Commissioner, there is a risk prevailing wage laws will not be properly enforced, and workers might experience difficulty recovering wages. Additionally, when contractors are paid before important project closeout documentation is received, institutions are at higher risk of not receiving these critical documents, or not being able to enforce critical contract provisions like liquidated damages and warranties. Pages 27 and 28 contain nine recommendations to help control change orders and strengthen project closeout practices.

Starting on page 29 and continuing on page 30, we discuss the need for NSHE to enhance its policies and procedures related to procuring construction projects as nontraditional procurement methods were utilized in the form of a public-private partnership and lease-purchase agreements. Under a public-private partnership, the institution does not have a contract with the general contractor and loses some control over the management of the project, including accountability for the use of state-appropriated funds and the right to modify the project as needed. In addition, it is unclear under state law whether institutions have the authority to use this method when procuring capital construction projects. Likewise, under the lease-purchase agreement method, a developer was allowed to select the general contractor,

manage project construction, and collect construction payments leaving the institution with limited authority over project construction and oversight.

Furthermore, during the 2005 Legislative Session, Senate Bill 426 created an advisory group to conduct an interim study concerning lease-purchase agreements by public entities. Based on the findings, NSHE required institutions to adopt specific procedural language for these agreements on or before December 31, 2007. However, both institutions failed to comply with this mandate and NSHE did not enforce this policy.

On page 31, we discuss state funds being appropriated for UNLV's medical education building under a public-private partnership. Specifically, \$25 million was requested for furnishings and equipment, despite the development agreement stating that the furniture and equipment were the responsibility of the nonprofit. In addition, when UNLV requested the funds be transferred to the nonprofit, they did so without supporting documentation to ensure funds were spent in accordance with legislative intent. While the nonprofit indicated that final project expenses would be about \$125 million, total funding for the project, including the \$25 million state appropriation, was \$143.7 million. The nonprofit indicated excess funding will be used for additional projects at UNLV. Legislative committee meetings regarding the appropriation indicated the funding should be the last dollars spent, and the bill included a reversion clause for unspent funds. However, based on the general language in Senate Bill 434 and the contract between UNLV and the nonprofit, it is unclear if any of the \$25 million appropriation should be reverted to the State.

On page 32, we note noncompliance with project solicitation, including four of six (67%) of CMAR [Construction Manager at Risk] projects did not advertise weights for evaluation criteria as required per NRS 338.1692. Institution personnel stated they were unaware of this statutory requirement. In addition, 1 of 20 (5%) of design solicitations was missing an executed agreement and instead utilized the solicitation itself as the agreement. Lastly, the cost for a project solicited through the Design-Build method increased the construction contract by \$1.8 million, or almost 10%, to the total construction costs when the 120-day project solicitation deadline was delayed 5 months. The review committee had taken almost 3 months to evaluate bid proposals and another 2 months lapsed before the institution's legal counsel completed their review of the contract.

Page 33 contains five recommendations to strengthen procurement practices at NSHE including seeking clarification on public-private partnerships and developing and revising policies and procedures relating to project solicitations.

Appendix A on page 34 shows Assembly Bill 416, Chapter 467 from the 2021 Legislative Session that requires the Legislative Auditor to conduct an audit of the Nevada System of Higher Education. Appendix B on page 36 illustrates project funding sources at both institutions and on page 37, Appendix C shows project construction costs due to change orders at each institution. Appendix D, on pages 38 and 39 shows project unsupported and unallowed change order amounts at both institutions. Appendix E on page 40 demonstrates project increases due to scope modifications at UNLV and UNR.

On pages 41 through 45, we describe our audit methodology. NSHE's response to the audit report begins on page 46. Then on page 48, we list the audit recommendations and show that

NSHE accepted all 18 recommendations. This concludes the audit presentation. I would be happy to answer any questions.

Vice Chair Dondero Loop:

Thank you very much for that information. Any questions from the Committee? Thank you very much. I do not see any questions from the Committee. I will take a motion for the audit report.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE PERFORMANCE
AUDIT REPORT ON THE NEVADA SYSTEM OF HIGHER EDUCATION,
CAPITAL CONSTRUCTION PROJECTS.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

Thank you very much again for all this hard work. We will move to Agenda Item IV C which is the review of the audit of the Nevada System of Higher Education, Institution Foundations and we will have Mr. Fourgis and Ms. Otto here to present.

Zackary Fourgis (Deputy Legislative Auditor):

Beginning on page 1 and continuing through page 6, we provide background information on the Nevada System of Higher Education (NSHE), including institution foundations and associated foundations, private donations, and administrative fees. Exhibits 2 through 5 also provide general information on the financial growth of foundations, cash, investments and other assets, and the availability of foundation assets. On page 6, we state our audit scope and objective. The objective of this audit was to determine if privately donated money was appropriately recorded and spent in accordance with donors' intended purposes.

The audit findings begin on page 8, where we found that almost all gift donations were assigned to the appropriate foundation gift account in accordance with donors' intent. Our testing found 763 out of 774 (99%) sampled donations at 7 institutions were properly recorded by the foundations. This sample included \$116 million in donations received between July 1, 2017, and June 30, 2021.

On page 9, we found that adequate documentation associated with donations and accompanying donor wishes were generally retained to support transactions. However, for 65 out of 774 (8%) sampled donations tested, acknowledgment letters, and donation receipts were not available at 5 of the 7 foundations. It is possible these letters may have been sent to donors, but some of the foundations did not retain a copy. Exhibit 6 on page 10 displays this information. For federal income tax purposes, donors should have donation acknowledgment letters or gift receipts as a backup for their tax-deductible donations. These letters and receipts also provide the donor reassurance their donation was appropriately allocated as they

intended. NSHE Board of Regents policies indicate foundations are to send donors timely acknowledgment of donations. Policies at the foundation level did not consistently address the nature, timing, or retention of these acknowledgments.

On page 11, we found 7 out of 110 (6%) of samples tested at the College of Southern Nevada (CSN) Foundation had errors between the donation information recorded in the CSN Foundation's donor management software and the CSN Foundation's financial software. These errors were not seen at other institutions' foundations. CSN Foundation staff provided a reconciliation of the data from the two systems and were able to match the total donation dollar amounts over the 4-year audit scope. However, we found discrepancies related to donor information between the two systems. For example, in one instance the donor was entered as the bank name and this led to the acknowledgment letter being sent to the bank for a \$10,000 donation and not the correct donor. Furthermore, CSN Foundation staff could not provide support of donor intent in 10 out of 110 (9%) samples. Because we could not establish donor intent, we could not verify the donation was allocated to the correct gift fund.

At the bottom of page 11 and continuing onto page 12, we found one instance at the Great Basin Foundation (GBC) where donated money was not applied to the correct gift fund in accordance with donor intent. A donation of \$94,000 designated by the donor for a memorial scholarship endowment was assigned to an unrestricted GBC Foundation gift account. While this was an isolated instance, the error was significant considering the size of the donation. During the audit, GBC Foundation Staff transferred the donation to the correct gift fund, which we verified occurred in October 2022.

Page 12 also contains two recommendations to ensure the foundations have adequate policies related to acknowledgment or receipts for donors, and to encourage institutions' foundations' boards to verify key control processes are occurring. This includes the reconciliation of donor software to financial software and retention of supporting documentation establishing donors' intent.

Chapter 2 begins on page 13. We found institutions generally expended donated funds consistently with donor intent. Our testing found 686 out of 690 (99%) of gift fund expenditures tested were appropriately spent. This sample included expenditures totaling \$23 million spent between July 1, 2017, and June 30, 2021.

On page 14, we found six institutions that privately donated money that went unutilized for multiple years. While some of these amounts 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 state accounts to identify opportunities to repurpose funds to other actively utilized accounts consistent with the donors' intended purpose. Exhibit 7 on page 15 shows this information. Board of Regents' policies require donor notification if the foundation plans to delay, for any reason, the use of the restricted gift for its intended purpose.

On page 16, we note that while 99% of donor funds were used in accordance with donor intent, we did find some instances where this was not the case. Some expenditures did not have sufficient supporting documentation. These were not egregious deviations but warranted the attention of the institutions. Examples include scholarship expenditures where a small number of students at four different institutions did not meet the scholarship criteria specified by the

donor. We also found instances related to documentation of a purchase order or contract for the expenditure that was not finalized prior to services occurring.

On page 17, we found four instances where athletics seat premium donations for one sport were used to pay for game guarantees for a different sport at UNR. Due to an IRS [Internal Revenue Service] rule change in 2018, foundation staff reported that this type of donation is no longer accepted, and such funds are now donated to a general athletics gift fund. We also found a small number of transactions in our sample being processed without adequate supporting documentation. This related to meal expenditures that did not list the specific team members or coaching staff that the meal was for or its intended purpose. As a result of a UNR Foundation internal audit in February 2020, UNR's Intercollegiate Athletics Department (ICA) is now required to provide the purpose of the meals and names of individuals. We tested an additional sample of UNR ICA expenditures in fiscal year 2022 and found that all expenditures had sufficient supporting documentation.

On page 18, we have one recommendation to develop a policy requiring institutions to routinely review inactive gift accounts and identify opportunities to repurpose the funds to actively utilize accounts when appropriate and allowable.

Appendix A beginning on page 19 shows Assembly Bill 416, Chapter 467 from the 2021 Legislative Session that requires the Legislative Auditor to conduct an audit of the Nevada System of Higher Education. Appendix B on pages 21 through 26, describes our audit methodology. Appendix C on pages 27 and 28 contains NSHE's response to the audit report. Page 29 lists the audit recommendations and shows that NSHE accepted all of them. This concludes my presentation. I will be happy to answer any questions the Subcommittee may have.

Vice Chair Dondero Loop:

Thank you very much for the presentation. Any questions from the Committee?

Assemblymember Dickman:

Not a question but just a comment. I appreciate how detailed you went into this audit and still did not find much wrong. So, it was kind of refreshing to see a positive outcome with one of your audits. Thank you for your hard work.

Vice Chair Dondero Loop:

Thank you very much, any questions? Seeing none, I will take a motion to approve the audit.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE PERFORMANCE
AUDIT REPORT ON THE NEVADA SYSTEM OF HIGHER EDUCATION,
INSTITUTION FOUNDATIONS.

ASSEMBLYMEMBER DICKMAN SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

The next Agenda Item IV. D is the Department of Employment Training and Rehabilitation, Rehabilitation Division. We welcome Ms. Barlow and Ms. Goetze to the table. Please go ahead when you are ready.

Amanda Barlow (Deputy Legislative Auditor):

Good morning Vice Chair Dondero Loop, and Members of the Audit Subcommittee. I will start with some background information, which begins on page 1. The Division's [Rehabilitation Division] mission is to provide barrier-free communities in which individuals with disabilities have access to opportunities for competitive, integrated employment, and self-sufficiency. As stated on page 2, the Division has seven budget accounts totaling nearly \$39.7 million in expenditures in fiscal year 2022. Exhibit 1 on page 2 shows the Division's revenues and expenditures for its operating accounts in fiscal year 2022.

On page 3, we share additional information about Vocational Rehabilitation (VR), programming. VR services help people with mental or physical disabilities obtain or maintain employment through training, counseling, and other support methods. The Division also coordinates with school districts to provide Pre-Employment Transition Services (Pre-ETS). This includes job exploration counseling, work-based learning experiences, higher education counseling, workplace readiness training, and self-advocacy. Exhibit 2 on page 5 shows the sources for grant funding for fiscal years 2020 and 2021, including federal and non-federal funding sources.

The scope of our audit included a review of Division activities related to adult and youth services in fiscal years 2020 and 2021. We also reviewed prior years' documentation back to 2009 for specific cases. Our audit objectives were to (1) analyze whether the Division is performing sufficient outreach for the Pre-Employment Transition Services youth programing, and (2) determine if certain activities related to the approval and oversight of the adult Vocational Rehabilitation programs are adequately monitored and approved.

Our findings begin on page 7. The Division lacks the necessary processes to adequately implement Pre-ETS. The Division fell short of meeting youth spending requirements by an average of 5% since 2018. The grant requires the Division to expend at least 15% of the grant on qualifying Pre-ETS services. To comply with grant requirements, the Division would need to decrease spending on adult clients by an average of \$5.4 million per year or increase Pre-ETS spending by an average of \$814,000 per year. Exhibit 3 on page 8 shows spending totals for adult VR and youth Pre-ETS services between fiscal years 2018 and 2021.

As stated on page 8, we found the Division has not adequately developed a service plan for Pre-ETS program delivery to ensure services, program, and financial requirements are met. To meet federal grant spending and match requirements, the Division should engage in a thorough program planning process. A tool, such as a logic model, would help staff with planning, implementation, management, and evaluation of activities.

We demonstrate on page 9 that some rural school districts have limited if any, services for youth, while others have more established programs. Three rural counties did not receive any youth services in either fiscal year 2020 or 2021. The primary service offered in the remaining

rural school districts was a virtual job shadow. Online education may not always be the most effective tool considering the population served; however, in some instances, the only option available in many rural counties is online services. Federal guidelines for transition services indicate that, ideally, services focus on both instruction and in-person job exploration experiences, such as in person job shadowing or internships. Exhibit 4 on pages 11 and 12 demonstrates the types of services offered by county throughout the State.

On the bottom of page 12, we state that the Division can increase services through enhanced collaboration and communication. Staff at seven school districts interviewed indicated that although communication recently improved, there are significant ongoing challenges. For example, staff did not always respond to meeting requests or attend scheduled meetings. One school district was not aware of in-classroom opportunities, and several districts indicated they learn about services through discussions with other school districts. Additionally, school districts were told that certain services were not available to rural school districts. Most school districts contacted indicated a desire to increase collaboration with the Division. The successful delivery of Pre-ETS relies on both entities being cooperative partners.

On page 13, we indicate that the Division did not adequately track program data. For example, invoices submitted by school districts totaled approximately \$104,000 in fiscal year 2021. Comparable reports in the Division's data management system totaled less than \$37,000. Additionally, internal reports demonstrating participant totals did not match participant rosters. Without controls over data tracking, the Division is not able to provide accurate reports in compliance with federal grant requirements, and management is ill-equipped to make decisions to direct programing.

On page 14, we list three recommendations to improve program planning, communication, and enhance oversight of services to youth with disabilities.

On page 15, we begin our findings regarding controls for adult Vocational Rehabilitation services. The Division lacks sufficient controls to ensure counselors perform annual reviews. 41% of client cases tested did not contain documentation that the clients' employment plan was reviewed or updated annually. Without annual reviews of the employment plans, clients may not have the resources necessary to make progress toward achieving employment goals.

On page 16, we indicate that counselors approved spending outside authorized limits. Nine of the 16 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. With some plans reviewed, the original plan costs did not require supervisory approval, but the final cost exceeded approved amounts. The Division does not have a process to ensure that costs remain within authorized spending amounts.

On page 17, we state that Division practices allow for the potential misuse of services. Fifteen elderly clients obtained hearing aids from the Division, while only three clients provided evidence of employment. Many clients closed their cases without employment as an outcome after receiving hearing aids.

Additionally, the Division does not monitor vendors to prevent them from over referring clients to the Division solely to receive services not covered by other means. For example, 33% of

the money spent on hearing aids in our testing sample came from one provider in Washoe County, which is disproportionate for the State. Although the Division appropriately serves elderly clients, stronger controls can ensure that clients and vendors use Division services to obtain and retain employment.

At the bottom of page 17, we indicate that 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, the average cost per client is more than \$700 less than the average for Asian clients, and about \$500 less for Black or African American clients. The Division recently began outreach for Hispanic or Latino individuals; however, the Division's efforts do not address all inequities noted.

On page 18, we list five recommendations to enhance managerial oversight of the adult programming for Vocational Rehabilitation.

Appendix A on page 19 provides details regarding the programs, location, and description of Pre-Employment Transition Services. Appendix B on page 20 is our audit methodology, and the Division's response begins on page 25. The Division accepted all eight of our audit recommendations. This concludes my presentation; I'd be happy to answer any additional questions.

Vice Chair Dondero Loop:

Thank you very much. Any additional questions from the Committee?

Senator Hammond:

Thank you Madam Vice Chair. My question is actually for the DETR [Department of Employment Training and Rehabilitation] if they are Drin the audience. I think they are up in Carson City. I am more concerned about the Pre-ETS information that was given to us and I was wondering, having received some of this information now, what are your plans to spend the money that is in those funds.

Drazen Elez (Administrator, Rehabilitation Division):

Through Vice Chair Dondero Loop to Senator Hammond. In the past year, one of the challenges that we had in spending Pre-ETS funds is in building out the vendor pool that exists in the State to be able to serve these students. The Pre-ETS funds were passed through the VR Act in 2014. So that was the initial notice that we had in having the percentage of our funds that need to be allocated to serve this particular population. Over the past few years, we have been trying to build out that pool and create relationships with the various school districts to be able to serve the students.

One of the struggles that we had during COVID-19 was that a lot of the students started kind of receiving education from home. That kind of impacted some of the spending that we had as we were not able to appropriately reach them or reach them in a safe manner. So as the pandemic has kind of wound down, we started continuing to improve our relationship with various school districts throughout the State.

We've set up these face labs at various school districts that provide in-classroom training on various types of vocational training, such as training on how to be an electrician or not necessarily training more exploratory training on how to be an electrician, or plumber, or accountant, or marketing jobs and such like that. So, we started putting these face labs in various rural districts as well as we have a number of them in Washoe County. Also, we are working currently with the Clark County School District to expand that there as well. We are also, as I mentioned, working with the various kinds of vendors in the State for them to expand the type of work that they do to be able to help us serve some of these clients in providing classroom training as well.

Senator Hammond:

Thank you. And so, if I understand you correctly, it was basically building out the vendor list, building out the vendor relationships, and then having more of a relationship with the school districts to find out what programs they have and then adding to those programs as well. But you feel like those vendor relationships are in a position where you are able to now spend a little bit more money, develop programs where they are not and expand programs where they do exist. So, you are in a position to do that right now.

Mr. Elez:

Mr. Senator Hammond, yes, we are in a position definitely to start spending more funds this year. We're definitely going to spend more than we have in previous years. We also want to mention, in the last year we have restructured our Pre-ETS agency to kind of be elevated within the Department. So that way they have more support from upper management as well. So, that they are able to kind of create a better relationship with the school districts as well. So, we definitely feel that we are in a much better position now to keep spending more of those funds and hopefully in the near future spend all that's allowable.

Senator Hammond:

Thank you, sir. Thank you Madam Vice Chair.

Vice Chair Dondero Loop:

Any additional comments you would like to make sir?

Mr. Elez:

I do not have any additional comments.

Vice Chair Dondero Loop:

Thank you very much. Any additional questions?

Assemblymember Dickman:

Thank you so much, Madam Vice Chair. I just have a quick question about the fact that some of the minority populations are underrepresented and I understand that could possibly be due

to outreach issues. But I just wonder why the average cost per client is less for Asian clients, or African American or Black clients.

Mr. Elez:

Assemblywoman Dickman, I think part of the reason that we have some of the discrepancies in population is that, as we look at the State of Nevada as a whole, the entire population, we do not feel using that as a barometer as to how we are serving percentage wise within the particular population that we are serving, that does not necessarily translate equally. So, we would have to look at, out of all of the population with disabilities, how does that kind of compare to what we have internally.

But to your specific question about the cost, I think part of that comes down to just a smaller number of individuals that we are serving. We also need to do a better job in communicating what all services are available to every population in their particular languages; if that is part of the barrier, and to ensure that they receive the full scope of services that is available. But I know that if I have a very specific question on that, I will have to do some research and get back to you on that.

Assemblymember Dickman:

Thank you so much.

Vice Chair Dondero Loop:

Thank you very much. Any other questions? Seeing none, I will take a motion to approve the audit.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE PERFORMANCE
AUDIT REPORT ON THE DEPARTMENT OF EMPLOYMENT TRAINING AND
REHABILITATION, REHABILITATION DIVISION.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

We will move on to Agenda Item IV. E the Department of Health and Human Services, Division of Health Care Financing and Policy, Dual Enrollments and Supplemental Drug Rebates. We welcome Mr. Evenden and Mr. Peterson to the table and please go ahead and make your presentation.

William F. Evenden (Deputy Legislative Auditor):

Vice Chair and Committee Members, beginning on page 1 and continuing through page 4 in the audit report, we provide background information on the Division of Health Care Financing

and Policy (Division), including the Division's mission, budgeting and staffing, revenues, and expenditures for fiscal year 2021 as shown in Exhibit 1 on page 2.

In addition, the report includes information on different Medicaid programs, such as Managed Care Organizations (MCO), an overview of the supplemental drug rebate program, the federal Medicaid assistance percentage, and the Public Assistance Reporting Information System (PARIS). The PARIS Interstate Match is a free data-matching service for states overseen by the federal government that helps ensure the integrity of public assistance programs by detecting and deterring improper payments by matching recipients of public assistance to other states to identify if recipients are receiving duplicate benefits in two or more states.

The PARIS Interstate Match is performed quarterly in February, May, August, and November of each year. Nevada's participation in submitting program enrollment data for PARIS matching is required by the Social Security Act as a condition of receiving Medicaid funding for automated data systems. This Act also requires states to have an eligibility determination system that provides for data matching through PARIS or any successor system, including matching with medical assistance programs operated by other states.

On page 5 of the report, we state our audit objective and scope. The objective of this audit was to determine if the Division of Health Care Financing and Policy adequately monitored certain activities related to Managed Care Organizations' enrolled participants and drug rebate payments.

The audit findings begin on page 6, where we discuss that the Division does not utilize available information to identify recipients who are concurrently enrolled in Medicaid in another state. Using the PARIS Interstate Match data, we identified 7,092 Nevada Medicaid recipients who were actively enrolled in an MCO, but also had concurrent enrollment in another state's Medicaid program. For 44 out of the 50 recipients tested that were enrolled in Nevada first, monthly capitation payments continued an average of 12 months after the individual enrolled in another state. Using statistical principles, we estimated improper payments for calendar year 2020 were \$13 million, and \$9.9 million for calendar year 2021.

In the report, we acknowledge during the public health emergency, there were restrictions on Medicaid disenrollment. However, as stated on page 7, per federal public health emergency guidelines during the public health emergency, the Division was still allowed to disenroll individuals from Medicaid if a person was no longer a state resident. Exhibit 3 on page 9 in the report shows examples of five Nevada Medicaid recipients who had concurrent enrollments in other states, their length of concurrent enrollment, and total improper capitation payments in calendar year 2020.

Continuing on page 9, we discuss that federal law and state policy do not allow a Medicaid recipient to be enrolled concurrently with another state Medicaid program. To qualify for Medicaid, you need to be a resident of the state where you apply for Medicaid. So once a Medicaid recipient enrolls in another state's program, they no longer qualify as a Nevada resident for eligibility purposes. We also acknowledge on page 9, that using the PARIS data alone cannot solely be used to determine a recipient's eligibility and terminate coverage. The agency must seek additional information from the recipient. However, per federal law, once a state confirms a recipient has been determined to be enrolled in another state's Medicaid program, the state is not required to provide advanced notice of termination.

In addition, on page 9, we noted other states we reviewed that have documented processes for performing analysis of the PARIS data. For example, although not mentioned in the report, we observed the State of New York has detailed processes for following up on PARIS data interstate matches, disenrolling ineligible participants, and recovering improper capitation payments retroactively for the months where medical claims for recipients were not paid.

Continuing at the bottom of page 9 and top of page 10 in the report, we discuss in the report that the Division does not have a process or policies and procedures to identify and recover improper capitation payments for dual enrollments. However, contracts between the Division and MCOs allow the Division to adjust or recover improper capitation payments for up to 3 years. As defined by the contracts, improper payments include fraud, waste, abuse, and errors on the part of the Division.

Moving on to the supplemental drug rebate program of the report, which starts on page 10. Here we discuss that the Division does not actively monitor or perform required audits of its supplemental drug rebate program to ensure the timely collection and accurate payment of drug rebates by MCOs as required by Senate Bill 378 of the 2020 Legislative Session, which went into effect on January 1, 2020.

On March 27th, 2020, the Division issued a memorandum to MCOs detailing the requirement to submit rebates, less a 1% administration fee, at the end of each quarter. Furthermore, the Division indicated MCOs were to provide a comprehensive reconciliation of pharmacy rebates invoiced and received with each payment.

However, despite issuing the memorandum, we found the Division took no additional action to verify millions of dollars in supplemental drug rebates. As a result, one MCO failed to pay the Division collected rebates for almost 2 years, which resulted in a lump sum payment of over \$6.9 million, which was paid only after we performed an analysis and inquired about the unpaid rebates. Neither the Division nor the MCO could explain why the payment was not remitted. Despite this payment and those made by other MCOs, records show another \$4.2 million in rebates were invoiced to drug manufacturers by the MCOs and were not remitted to the State.

Continuing on page 11, the report discusses the Division did not obtain supporting documentation to ensure supplemental drug rebates' payments were made accurately or timely. In addition, the Division did not establish formal policies and procedures to reconcile or review documentation of supplemental drug rebates invoiced, collected, and received by MCOs. During our audit, we found the Division did not have supporting documentation from the MCOs to determine what supplemental drug rebates were owed. We requested directly from the MCOs the supporting documentation for supplemental drug rebates in which we identified another \$900,000 in drug rebates were collected by MCOs from drug manufacturers, but not remitted to the State. Furthermore, we found \$3.3 million in rebates were invoiced to drug manufacturers by the MCOs, but this remains outstanding, as the MCOs indicated it has not been collected from the drug manufacturers, for a total of \$4.2 million outstanding as previously mentioned, in addition to the lump sum \$6.9 million paid to the Division on November 30th, 2021.

Starting on the bottom of page 11, we discuss that required audits of certain MCO activities related to supplemental drug rebates are not being performed as outlined in Senate Bill 378,

which requires the Division to perform an annual audit of each MCO, including an analysis of all claims processed to evaluate supplemental drug rebate compliance.

Continuing to page 12 of the report, we note that Senate Bill 378 also requires the Division to obtain an annual audit of internal controls to ensure the integrity of financial transactions and claims processing and that the results of these audits must be posted on the Division's website. Effective January 1, 2022, the Division amended its MCO contracts to include provisions that help ensure compliance with statutes by requiring annual audits by the Division and by an independent accountant and giving the State or its designee, the right to review and audit information related to supplemental drug rebates and provide for mutual cooperation, and grant auditors full access to relevant information. According to the Division, staff turnover impacted the Division's ability to perform and obtain audits specified in Senate Bill 378.

Pages 12 and 13 of the report, contain 10 recommendations to reduce improper MCO capitation payments and improve the collection of MCO supplemental drug rebates. Appendix A starting on page 14 of the report, shows the MCO composite estimates for capitation rates by region, category, and age group for calendar years 2020 and 2021. Appendix B on pages 16 through 19, describes our audit methodology. Appendix C, on pages 20 to 23 shows the Division's response to our audit report. And on page 24, we list the audit recommendations and show that the Division accepted all 10 recommendations. This concludes the audit presentation. I would be happy to answer any questions.

Vice Chair Dondero Loop:

Thank you very much, any questions from the Committee?

Assemblymember Dickman:

Thank you, my question is not for the auditors it is for the Department [Department of Health and Human Services].

Vice Chair Dondero Loop:

They're coming forward. Go ahead with your question.

Assemblymember Dickman:

I was wondering why it would require an audit and auditor recommendations, for example, to force compliance with Senate Bill 378 when it was passed in 2019. I mean, shouldn't that be happening without an audit?

Marla McDade Williams (Deputy Director, Department of Health and Human Services):

Madam Vice Chair, if I may start the response. Before I have Ms. Ruybalid respond, I just want to take the opportunity to thank the LCB [Legislative Counsel Bureau] auditors for this audit and acknowledge that we have had changes in leadership at the Division of Healthcare Financing and Policy (Division) and we have had multiple vacancies in the Division throughout the pandemic. The Department is committed to assisting the Division and putting the systems in place to prevent these findings in the future and to make needed improvements.

Additionally, we are looking forward to the efforts of the Department of Administration in developing solutions to position vacancies and challenges with the retention of staff. As you know, audits come in and they assess how we are managing programs and there's never an intent not to implement programs as well as we can, particularly with Medicaid. I think there's always a focus on ensuring that we are doing everything we can to provide proper services while ensuring that we are managing as responsibly as we can fiscally.

If there's a specific question, you know, I am happy to turn it over to Sandie. There's never an intent not to implement programs as well as we can. It just happens and we do our best to ensure that we have policies and procedures in place and that we have the staff to actually comply. And I think, staffing challenges have been very real for the Division of Health Care Financing and Policy and we are right now still down some very key positions that would provide oversight to the staff managing the programs. We are doing the best we can to get those positions filled and get things on track as much as possible.

Assemblymember Dickman:

Thank you, and Madam Vice Chair if I may, I do appreciate the shortage of positions. But as far as not using the PARIS system and the \$23 million for that, my specific question is, can these overpayments be recovered?

Sandie Ruybalid (Deputy Administrator, Department of Health and Human Services, Division of Health Care and Financing and Policy):

Good morning, thank you for the question. We again thank the auditors for these findings. It does help us improve our program which is very important to us. We are currently discussing how we would go about recovering any improper payments with both our federal partners and we heard this morning about other states that are doing this. We will also be speaking to those other states and look forward to providing that detail in our corrective action plan.

Assemblymember Dickman:

Thank you appreciate that. Madam Vice Chair.

Vice Chair Dondero Loop:

Thank you very much, and I would just like to take a personal moment and express my and the Committee's condolences over the passing of Ms. Melissa Lewis who was your Chief of Fiscal Operations. I know that that will also leave a hole in your team but please know and please relate to your colleagues that we are all thinking of you. Thank you.

Ms. Ruybalid:

Thank you.

Vice Chair Dondero Loop:

I will take a motion to approve this audit.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE PERFORMANCE AUDIT REPORT ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF HEALTH CARE FINANCING AND POLICY, DUAL ENROLLMENTS AND SUPPLEMENTAL DRUG REBATES.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

We will move on to Agenda Item V. the Presentation of Governmental and Private Facilities for Children — Inspections, December 2022. Mr. Crossman, please go ahead.

Mr. Crossman:

Thank you, Vice Chair. One of the roles that we have is to review governmental and private facilities for children on an ongoing basis and provide information to assist in legislative oversight. Ultimately, our goal is to help ensure adequate protection of the children that are in these facilities. Our efforts in this area have been to continue to increase the number of facilities that we can visit and inspect. This year our report contains 19 facilities that we performed inspections of. With that and your permission, Vice Chair, I would turn the time over to Hailey Cornelia-Swift, our Child Welfare Specialists to present the report.

Hailey Cornelia-Swift (Child Welfare Specialist):

Good morning, Vice Chair and Members of the Subcommittee. Our work was conducted pursuant to NRS 218G.570 through 218G.595 which requires us to determine if Nevada 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.

On pages 1 through 3, we discuss background information and the type of work we completed. As of June 30, 2022, we identified 57 governmental and private facilities that met the requirements of NRS 218G. We completed inspections of 19 of these children's facilities during this year.

Beginning on page 3, we discuss our inspections of five children's facilities where we identified multiple issues that caused us to question whether each facility adequately protected the children in its care.

Continuing on pages 4 through 8, we discuss Nevada Homes for Youth. Nevada Homes for Youth is considered a facility for the treatment of abuse of alcohol or drugs and is licensed by the Bureau of Health Care Quality and Compliance (HCQC) and contracted as a placement resource by the Clark County Department of Family Services (DFS). At the time of our inspection, they had a certification to provide substance abuse services by the Substance Abuse Prevention and Treatment Agency (SAPTA). This was our third visit to the facility in the last 5 years. Some of the significant issues noted at Nevada Homes for Youth included

incomplete and inaccurate medication records, children self-administering medication, and missing medication. In addition, we observed contraband and noted issues with child intoxication, missing statutorily required personnel records and training records, unsanitary living conditions, inappropriate age-related activities, incomplete and altered child records, and weak policies and procedures.

Following our inspection in June 2022, we communicated our concerns to HCQC, SAPTA, and DFS. HCQC and SAPTA noted similar concerns in subsequent follow-up visits which HCQC reported resolved in additional follow-up visits. On page 8 of the report, we state that Nevada Homes for Youth has a provisional SAPTA certification, has maintained licensure through HCQC, and continues to accept placements from DFS. As an update to our report, we were notified last week that the facility failed to renew its SAPTA certification after being placed on corrective action, which is a licensure requirement for this type of facility. SAPTA certification was withdrawn from the facility as of December 1, 2022. As stated on page 8 of our report, we recommend that the licensing agencies and placement agency enhance communication and coordinate their efforts to ensure proper oversight of the facility.

Beginning at the bottom of page 8 through page 11, we discuss concerns noted at Never Give Up Youth Healing Center (NGU). NGU is a psychiatric residential treatment facility licensed by HCQC. This was our second visit to NGU in the last 5 years. Some of the significant issues noted included incomplete and missing medication records, administration of medication without statutorily required consent, and staff being unaware of children's treatment plans. Additionally, damaged property posed safety hazards, there were missing statutorily required personnel records and training, and documentation was missing that an incident was reported in accordance with mandated reporting requirements. We also noted unsanitary living conditions including a blood-stained pillow, clogged toilets and urinals, and piles of clothing. Beds were missing pillowcases, sheets, and bed coverings; and inappropriate age-related activities were observed. Lastly, policies and procedures were weak.

Following our inspection in August 2022, we communicated our concerns to HCQC. HCQC completed three complaint investigations prior to our visit and completed two additional complaint investigations after our visit, noting similar concerns. HCQC also imposed a financial sanction on the facility.

Continuing to pages 12 through 14, we discuss 3 Angels Care. 3 Angels Care is a foster care agency licensed by Washoe County Human Services Agency (WCHSA). We visited four homes operated by 3 Angels Care and noted concerns at three of those homes. Issues included incomplete and missing medication records and a missed medication administration for a child. An outside locking storage room in one home was being used as a place to sleep and as a "quiet room" where children voluntarily spent time in. Additionally, children of the opposite gender were sharing a room, there was a lack of supervision, and weak policies and procedures.

WCHSA implemented corrective action plans for two of the homes and issued an additional corrective action plan for the director of 3 Angels Care. All corrective action plans have since been resolved according to WCHSA.

On pages 14 through 17, we note our concerns with two homes licensed through the Advanced Foster Care Program at the Division of Child and Family Services (DCFS). Issues included

unsecured tools, chemicals, and knives; there was not a secure method for medication storage; incomplete training records, missing documentation to support a repeat background check for a foster parent; and weak policies and procedures. Additionally, complaint forms were not readily available, the complaint process was not posted, and there was no documentation that children were made aware of their right to file a complaint. In turn, a serious complaint on behalf of a child was not forwarded to the Legislative Auditor.

After our inspections in July 2022, DCFS did not renew one of the foster parent's licenses. DCFS previously did not classify their Advanced Foster Care Homes as foster homes that provide specialized care. After discussion with their legal counsel, they were advised that their homes are considered foster homes that provide specialized care under statute. DCFS is in the process of updating its policies and procedures.

On pages 17 and 18, we noted a concern for the implementation of federal standards established by the Prison Rape Elimination Act (PREA) at two of the eight correction and detention facilities that we inspected. PREA standards require juvenile correction and detention facilities to use a screening tool to assess children for sexual victimization or abuse. We determined two facilities used a screening tool that did not assess 10 of the 11 items required by screening standards. The PREA Coordinator for the State agreed the facilities did not use a screening tool that met federal standards. The State has developed a screening tool for facilities to use. As stated on page 18 of our report, we recommend that the facilities obtain and implement the assessment tool developed by the State, or create their own assessment tool which meets PREA requirements.

In addition to facility inspections, we reviewed complaints forwarded to our office from facilities. This information is located on pages 19 through 21. 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. We received 636 complaints from 30 facilities in Nevada in fiscal year 2022. The other 27 Nevada facilities reported that no complaints were filed during this time. Based on our review of complaints, we have identified that collection, documentation, review, and resolution of complaints vary at each facility. Facilities also have different interpretations of what constitutes the health, safety, welfare, and civil and other rights of a child. Exhibit 4, on page 21, summarizes complaints received in fiscal year 2022 submitted by facilities based on the type of facility. During our inspections, we found two complaints that were not forwarded to the Legislative Auditor. One complaint alleged neglect of a child at a facility and another complaint described the physical discipline of a child at a facility.

Appendix A on page 22 contains a glossary of terms used in the report relevant to child welfare. Appendix B on page 26 contains a list of inspections we completed. Appendix C on pages 27 through 29, provides some background, population, and staffing information on the 57 children's facilities in Nevada. Appendix D beginning on page 30 is our methodology. That concludes my presentation. I would be happy to answer any questions the Subcommittee may have.

Vice Chair Dondero Loop:

Thank you very much. I do not even know how to process this. Any questions from the Committee?

This is not a question it is just a comment. Honestly, as I was listening to you, all I could think of is if I was a parent, I would be furious because your child is in their care and it seems to me you should not have to complain to have things right. They should just be right. So, I hope moving forward we are taking care of those vulnerable children and I recognize the difficulty in this type of work. I just do not even know what to say when I hear some of these complaints. So, I appreciate your time in presenting this report.

And with that, I would hope that we do not hear another report with the same complaints in the future.

Assemblymember Dickman:

Thank you for making that comment because was this not the hardest to read? Just a comment. I appreciate your comments because it is awful and I am so glad we have these auditors that do check on it at least. Thank you.

Vice Chair Dondero Loop:

Thank you. Okay with that. I will take a motion to accept the report.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE GOVERNMENTAL
AND PRIVATE FACILITIES FOR CHILDREN REPORT.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

Thank you very much for your time today. With that we will go to Agenda Item VI. the State of Nevada Single Audit Report, June 30, 2021. Ms. Goetze and Mr. Schlicker from Eide Bailly, please.

Tammy A. Goetze (Audit Supervisor):

Good morning Madam Vice Chair and Members of the Audit Subcommittee. I will begin with a brief overview and background information on the Single Audit Report for the year ending June 30, 2021.

The Single Audit was performed under contract with the firm of Eide Bailly. The Single Audit is required by the federal government for state agencies who accept and expend federal funds. The statewide Single Audit incorporates audits of the financial statements and compliance with requirements related to federal funds. The audit of federal funds is an audit of certain programs and related requirements established by the federal government for the use and management of those funds.

The financial statements are comprised of the independent auditor's report, management's discussion and analysis, the financial statements, notes to the financial statements, required

supplemental information and related notes, and the Independent Auditor's Report on financial reporting. The Independent Auditor's Report in the Single Audit Report notes the financial statements received an unmodified opinion. This means the auditors have been able to access all financial information and that the information conformed to accounting principles generally accepted in the United States of America. Although, a separate qualified opinion was indicated over the general and highway funds inventory as it relates to donated personal protective equipment and stockpile inventory. Management's Discussion and Analysis provides a narrative overview, written by the State Controller, of the financial statements and highlights information for readers. The actual financial statements and notes to the financial statements provide further detail and information and should be read in conjunction with the financial statements.

The auditor's report on federal compliance for each major program for the State had 46 findings related to federal compliance. The most significant findings are those considered a material weakness with material non-compliance. A material weakness is identified as a deficiency in internal controls, which is significant and results in noncompliance with a requirement of a federal program, which will not be detected or corrected on a timely basis. There were 17 of these findings in this report. The auditors' report on federal compliance also noted that the Schedule of Expenditures of Federal Awards is accurately stated. The Schedule of Expenditures of Federal Awards identifies over \$13.9 billion in federal awards was expended by the State in fiscal year 2021. In 2020, \$11.1 billion, and in 2019, \$5.8 billion was expended.

The 17 findings related to the financial statement audit related to errors in recording Unemployment; Highway Fund inventory, receivables, and developer deposits; Capital Assets; and Medicaid and CHIP [Children's Health Insurance Program] receivables, liabilities, expenses, and payables. Additional errors were found regarding cash and investment disclosures, outside bank account reconciliations, prescription rebates, internal balances, and the overall control environment and activities. Accounting adjustments were made to correct most errors.

The remaining findings relate to federal awards. As previously stated, there were 46 federal compliance findings in fiscal year 2021, which is an increase from prior years. There were 25 in fiscal year 2020 and 33 findings in fiscal year 2019. There were 18 programs audited in fiscal year 2021. In addition, the Single Audit Report contains management's response to auditor findings including the prior audit findings and corrective action plans prepared by agencies who received findings. As part of the audit process, Eide Bailly confirmed the status of these findings related to any programs audited in the current year. Furthermore, federal entities are supposed to issue management decisions regarding state agency corrective actions for any current year findings, essentially approving or denying the corrective action plans.

That concludes my overview of the Single Audit Report. I would like to express the Audit Division's appreciation for the professionalism of Eide Bailly in completing the Single Audit this year and in prior years. Representatives from Eide Bailly are present today to answer any questions the Committee Members may have. Thank you.

Vice Chair Dondero Loop:

Thank you very much. And are there any questions from the Committee?

Mr. Slicker, do you have something you would like to add? Please go ahead.

Kurt Schlicker (Partner, Eide Bailly):

Yes, I do just want to add quickly, we very much appreciate and want to thank LCB for their continued collaboration. They are fantastic to work with and great assistance. I would like to just maybe provide 2 minutes of brief comments to help supplement Audit Supervisor, Tammy Goetze's presentation. The audit took place from May 2021, and wrapped all the way into July 2022, so that is roughly a 14-month process. The audit is very complex, does take a long time, and did cover \$13.9 billion in federal expenditures this year. The most significant of that being unemployment, lost wage assistance due to the pandemic, emergency rental assistance, and a lot of other COVID-19 programs.

The findings this year are a significant increase from the prior year and I am not going to belabor all the findings and go into bad detail. However, I do want to highlight that we did write a finding about the overall control environment of the State. And the increase in findings that we have seen and the number of findings that we have seen, we've continually seen a lack of improvement in the reliability or the quality of data that is being prepared and presented to the Controller's Office, reviewed, compiled whether from state agencies or from within the Controller's Office, and we have seen a continued decline in that reliability and quality of data. And that is what led to our overall control environment finding that we presented today. Most of the findings in detail for material noncompliance relate to reporting findings and sub-recipient monitoring findings and those reporting findings again speak towards reliability and accuracy of data. And I think that the root cause for the majority of these findings is due to the reliability and accuracy of data.

So again, I just want to thank LCB. I do want to thank the state agencies in the Controller's Office too even though there are a lot of findings, they do work with us. They are cooperative. They do not withhold information from us, but you know, I am speaking more towards the outcome as far as reliability, not the process. They are very professional, it's just there are a lot of errors. So, with that again, I would be happy to answer any questions, but if you have none then we will move on.

Vice Chair Dondero Loop:

Thank you very much. I am sure, we all agree 100% with you about LCB and our agencies so thank you. Any questions?

We do appreciate your work with the agencies and thank you for the complete report.

We will move on to Agenda Item VII Presentation of 6-Month Reports, Mr. Crossman please.

Mr. Crossman:

Thank you, Vice Chair. I will just briefly highlight what we are going to be talking about here for a few minutes. The 6-month reporting process was established in statute many years ago to help ensure that audit recommendations are implemented to the satisfaction of my office as well as this Subcommittee. That process begins with a 60-day plan of corrective action, which

is followed up 6 months after that with a report by the Governors Finance Office through their Division of Internal Audits.

What we are presenting today is their report as well as a summary memo from our office based on our review of the status of implementation. We continue to work with agencies after we receive that initial 6-month report from the Division of Internal Audits to update our understanding and receive additional information until all recommendations are satisfied. So, with that, we can begin with the presentations on the 6-month reports.

Vice Chair Dondero Loop:

Thank you very much and thank you all for your patience as we work through this agenda. So, we will start with Agenda Item VII. A, the Department of Corrections, Use of Force.

Eugene Allara (Audit Supervisor):

Good morning. In March of 2022, we issued an audit report on the Department of Corrections (Department). The 6-month report issued by the Office of Finance was received in December 2022 and indicated that 13 of our 16 recommendations were partially implemented and no action was taken on three recommendations.

Subsequent to the completion of the Office of Finance's report, the Department submitted evidence to our office regarding progress made on two recommendations. This evidence is related to recommendation number 11, requesting the Department develop a policy and training for use of the restraint chair and recommendation 13, requesting the Department develop a policy and training for the proper coding of use of force data.

After reviewing the evidence, we now consider recommendation 11 to be partially implemented. Due to the late submission of the evidence and the need for additional documentation, we are not changing the status of recommendation 13 at this time. Therefore, as of the date of this meeting, the status of our 16 recommendations is: 14 partially implemented and 2 with no action taken.

These 16 recommendations are listed in your packet and relate to improving the Department's processes regarding the use of force monitoring, training, data collection, and other related activities.

We have two questions related to all our recommendations that we would like to direct to the Department today. The first question is, why the Department hasn't made significant progress toward full implementation. And the second question is, what is the Department's timeline for full implementation?

Vice Chair Dondero Loop:

Please go ahead when you are ready and welcome back to Nevada Director, Dzurenda.

James Dzurenda (Director, Department of Corrections):

Thank you, Vice Chair and Members of the Legislative Audit Subcommittee. Today is my day four with the agency. However, I did review the audit findings and recommendations that were given to me yesterday. So as many of you do know, use of force is a high priority of my history here of trying to correct and make it better with training, with reduction of use of force, and with utilizing other alternatives rather than the use of force. Especially when you deal with a lot of individuals that have been diagnosed with mental illness in institutions across the State. My history also, as you know, with eliminating the shotguns use for a use of force in the agency was not an easy task, but was a high priority of mine and a continuation of trying to improve the use of force is going to be one of my big goals over the next 4 years. But with the results of the last 4 to 6 months on compliance with the recommendations, I will leave that up to Deputy Director, William Gittere.

William Gittere (Deputy Director Operations, Department of Corrections):

Good morning, Madam Vice Chair and Committee Members. The first question is, why haven't we made more progress? Well, over the past year, especially in the past 6 months of this report, the personnel shortages in the Department have reached pretty much one in three officers and that pushes our supervisory management staff forward online to ensure the daily operations. The humane treatment of offenders is our primary responsibility and protection of the public. So, in the midst of our personnel shortages, we have been working every day to maintain the security of the public and the humane treatment of offenders and not so much pushing the administrative ball forward with these initiatives. That is not an excuse. We certainly take it seriously and, it's lucky Director Dzurenda has come back to the Department and new leadership has been established so that we cannot only continue our daily efforts, maintaining public safety and the humane treatment for offenders but also pushing these initiatives forward so we can bring them all to fruition and make the Department better.

I would like to take a moment to thank Mr. Crossman and his staff. They always do a phenomenal job. They make our Department better and the way they do it and their professionalism makes me want to work hard to be better for their Department. So, thank you, Mr. Crossman.

Vice Chair Dondero Loop:

Thank you very much. Any questions from the Committee? Any questions from up north? My suggestion would be that perhaps we might want to hear from you in the future about an update and where we are at, at that point on this subject.

James Dzurenda (Director Department of Corrections):

Absolutely, it would be a pleasure too.

Vice Chair Dondero Loop:

Thank you, so with that, I will take a motion to approve this 6-month report.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE 6-MONTH REPORT OF THE DEPARTMENT OF CORRECTIONS, USE OF FORCE.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

We will go to Agenda Item VII. B the Department of Health and Human Services, Division of Child and Family Services, Management of Maltreatment Reports and Child Health. Ms. Goetze, please go ahead when you are ready.

Tammy A. Goetze (Audit Supervisor):

Good morning again Madam Vice Chair and Members of the Audit Subcommittee. In March 2022, we issued an audit report on the Division of Child and Family Services (Division), Management of Maltreatment Reports and Child Health. The Division filed its plan for corrective action in June 2022. NRS 218G.270 requires the Governor's Office of Finance to issue a report within 6 months after the plan for corrective action is due, outlining the implementation status of the audit recommendations.

Enclosed in your binder is the 6-month report prepared by the Office of Finance on the status of the 11 recommendations contained in the audit report. As of December 2022, the Office of Finance indicated nine recommendations were fully implemented, and no action was taken on two recommendations, recommendations number six and number 10.

Recommendation number six was to implement a process to identify and assess Medicaid claims that indicate possible abuse and neglect for children in state custody and perform follow-up activities to ensure the welfare of children, as necessary.

The Office of Finance indicated the Division plans to work with Medicaid, the Family Programs Office, and the Office of Analytics to identify ways to establish a link between Medicaid and UNITY [Unified Nevada Information Technology for Youth] to identify possible abuse and neglect for children in state custody. The Division asserted this recommendation is a high priority and will be implemented after recommendation number 10 is completed. Recommendation number 10 was to complete a feasibility assessment of linking the Medicaid claims database to UNITY.

The Office of Finance also indicated the Division plans to identify ways to locate grant funding to establish a link between Medicaid and UNITY. The Division stated it will contract with the vendor to complete the project once funding is secured. While a link between these two systems would be useful, we found it not necessary in order to review medical claims for evidence of possible abuse and neglect. We obtained and reviewed claim data directly from Medicaid to complete our audit testing. Both state and federal entities have evidence of the child welfare benefits of utilizing Medicaid claims to identify potential incidents of child abuse and neglect.

Therefore, we have the following questions for the Division. Has the Division identified a source to fund programming changes to create a link between Medicaid and UNITY? And if not, does the Division intend to obtain and review claim data of children in state custody to identify possible abuse and neglect?

Vice Chair Dondero Loop:

Thank you very much for that. Go ahead when you are ready up north.

John Bradtke (Deputy Administrator-Child Welfare, Division of Child and Family Services):

I first and foremost thank the audit team for this audit that truly helps us improve the care and treatment of children in our custody. In response to the question, ARPA [American Rescue Plan Act] funds have been approved for the purpose of purchasing a new UNITY system that will include an interface between Medicaid and UNITY. The first steps in this process are underway. The Division is poised to release two RFPs [request for proposal] related to this process. The first, an RFP is associated with completing a needs assessment, and the second, an RFP is for a contracted manager who will oversee the process from needs assessment to procurement and finally to implementation of a new system.

We also wish to express our appreciation for the appropriation of ARPA funds for this purpose. This will greatly enhance our ability to oversee many processes in the Division. That is my response.

Vice Chair Dondero Loop:

Thank you very much. Any questions from the Committee? Okay seeing none. Thank you for that information. I will take a motion to approve this report.

ASSEMBLYMEMBER MILLER MOVED TO ACCEPT THE 6-MONTH REPORT OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF CHILD AND FAMILY SERVICES, MANAGEMENT OF MALTREATMENT REPORTS AND CHILD HEALTH.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

We will move on to Agenda Item VII. C the Department of Health and Human Services, Division of Health Care Financing and Policy, Information Security. Ms. Eitel-Bingham please go ahead when you are ready.

Shirlee Eitel-Bingham (Information Security Audit Supervisor):

Thank you. Good morning, Madam Vice Chair and Members of the Audit Subcommittee. In March of 2022, we issued an audit report on the Division of Health Care Financing and Policy, Information Security (Division) of the Department of Health and Human Services. The Division filed its plan for corrective action in June of 2022. NRS 2018G.270 requires that the Office of Finance, Office of the Governor, issue a report within 6 months after the plan of 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 six recommendations contained in the audit report. As of December 15, 2022, the Office of Finance indicated all recommendations were fully implemented. Therefore, we have no questions for the agency officials. Thank you.

Vice Chair Dondero Loop:

Thank you very much. With that we will ask for questions. Seeing none, I will take a motion to approve this 6-month report.

ASSEMBLYMEMBER DICKMAN MOVED TO ACCEPT THE 6-MONTH REPORT OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF HEALTH CARE FINANCING AND POLICY, INFORMATION SECURITY.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION WAS PASSED BY ALL MEMBERS PRESENT.

Vice Chair Dondero Loop:

So, with that we will go to Agenda Item is VIII which is the second and final period of public comment. We will invite our in-person in Las Vegas and Carson City first and then we will do our virtual. So, let's start with Las Vegas. Do we have anybody here that would like to make public comment? Do we have anybody in Carson City that would like to make public comment? Seeing none, BPS would you please check the telephone line for anyone wishing to provide public comment?

BPS:

Thank you, Vice Chair Dondero Loop to provide public comment please press *9 on your phone now to take your place in the queue. Chair, the public line is open and working. However, there are no public commenters on the line at this time.

Vice Chair Dondero Loop:

I appreciate that, thank you very much. And with that, I would like to thank the Audit Division and Mr. Crossman for all your hard work. I know that these are time consuming and they are done very well and we are very happy that you are all with us to do these reports. So, with that I will adjourn the meeting.

RESPECTFULLY SUBMITTED:

Deborah A. Anderson
Secretary for Minutes

APPROVED BY:

Senator Marilyn Dondero Loop, Chair to the Audit
Subcommittee of the Legislative Commission

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

Date: _____