

MINUTES OF THE MEETING OF THE
AUDIT SUBCOMMITTEE OF THE LEGISLATIVE COMMISSION
October 6, 2014

This is the third meeting of 2014.
This is the third meeting of the 2013 - 2014 Interim.

A meeting of the Audit Subcommittee of the Legislative Commission (NRS 218E.240) was called to order by Assemblywoman Maggie Carlton, Chair, at 1:03 p.m., Monday, October 6, 2014, in Room 4100 of the Legislative Building, Carson City, Nevada, with a simultaneous video conference to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas Nevada.

AUDIT SUBCOMMITTEE MEMBERS PRESENT:

Carson City:

Assemblywoman Maggie Carlton, Chair
Assemblyman Michael Sprinkle
Senator Ben Kieckhefer

Las Vegas:

Senator David Parks, Vice Chair
Senator Mo Denis

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Paul Townsend, Legislative Auditor
Deborah Anderson, Audit Secretary
Jane Bailey, Audit Supervisor
Tammy Goetze, Deputy Legislative Auditor
Mike Herenick, Deputy Legislative Auditor
Shawn Heusser, Deputy Legislative Auditor
Sandra McGuirk, Deputy Legislative Auditor
Rick Neil, Audit Supervisor
Todd Peterson, Deputy Legislative Auditor
Doug Peterson, Information Systems Audit Supervisor
Jeff Rauh, Deputy Legislative Auditor
Shannon Ryan, Audit Supervisor

The roll was taken. A quorum was present.

Item 1 — Public comment

Chair Carlton called for public comment. There was none.

Item 2 — Approval of minutes from the meeting of April 28, 2014

Chair Carlton called for a motion.

ASSEMBLYMAN SPRINKLE MOVED TO APPROVE THE AUDIT SUBCOMMITTEE MINUTES OF APRIL 28, 2014. THE MOTION WAS SECONDED BY SENATOR PARKS AND CARRIED UNANIMOUSLY.

Item 3 —Presentation of audit reports (NRS 218G.240)

Mr. Townsend stated our first audit today will be the Judicial Branch of Government, Supreme Court of Nevada. Todd Peterson, Deputy Legislative Auditor and Rick Neil, Audit Supervisor will be making the presentation.

a. Judicial Branch of Government, Supreme Court of Nevada

Todd Peterson, Deputy Legislative Auditor began his presentation with a brief overview of the Supreme Court of Nevada. The Supreme Court is the State's highest court and is part of the Judicial Branch of government. The Supreme Court rules on appeals from trial courts. Within the Supreme Court is the Administrative Office of the Courts, which performs all administrative functions for the Court and provides support services to trial courts.

Mr. Peterson stated the report provides staffing and budget information. Ex. 1 summarizes the Court's revenues for fiscal years 2012 to 2014 and Ex. 2 shows the Court's expenditures by budget account for fiscal years 2012 to 2014.

The objective of the audit was to determine whether the Supreme Court has effective controls over the procurement of goods and services, collection of peremptory challenge and court filing fees, and safeguarding of equipment. The scope of the audit focused on the 12-month period ending March 31, 2014.

Mr. Peterson stated auditors found the Supreme Court has adequate controls over the procurement of goods and services. However, the Court can improve oversight of its procurement activities. Auditors tested 10 purchases of goods (such as computer equipment and office furniture) and 10 procurements of services. For 13 of 20 procurements tested, the Court did not solicit multiple bids or quotes, or document they were requested.

Mr. Peterson stated 5 of 10 service procurements tested did not lend themselves to competitive bidding because the services were for professional legal services, specialized work or work on a proprietary computer system, and specific staff training. For the remaining services, auditors found that the Supreme Court solicited quotes for two services, but did not have documentation showing multiple quotes or bids were requested for three services. These procurements are summarized in the report. The lack of multiple bids or quotes does not mean the Court did not obtain goods and services at a reasonable price. However, requesting and documenting the solicitation of multiple quotes or bids would help management ensure it received the best product at the best price. Supreme Court policies and procedures do not require staff to actively seek multiple quotes or bids, or document they were requested.

The Supreme Court has developed procedures to help control its procurement activities, and for the most part these procedures were followed. However, auditors observed

staff did not always follow some procedures. For example, contract summary sheets were not always prepared for contracts and amendments, and packing slips were not retained and initialed by staff verifying the receipt of goods purchased. Two recommendations were made to improve controls over the procurement of goods and services.

Mr. Peterson stated the Supreme Court has effective controls to ensure the timely deposit of peremptory challenge and filing fees. Peremptory challenge fees are received from district courts when a party to a case seeks a change in the judge hearing the case. Filing fees are collected when a special proceeding is brought to the Supreme Court. Based on 90 transactions tested, auditors found fees were deposited timely. However, additional controls are needed to reduce the risk of loss of these fees. During fiscal year 2014, the Court received over \$565,000 in peremptory challenge and filing fees.

The report notes the control weaknesses related to the collection of these fees. Checks and money orders were not restrictively endorsed immediately upon receipt, peremptory challenge fees were not recorded timely, and a proper reconciliation of peremptory challenge and filing fees was not performed. Auditor testing did not identify missing funds; however, improving controls over the collection of these fees will reduce the risk they could become lost or stolen, and not be detected by the Court. Two recommendations were made to improve controls over the collection of peremptory challenge and filing fees.

Mr. Peterson stated the last audit finding is the Court needs to strengthen its controls over equipment. The Court did not perform an annual inventory of equipment in its custody. The last inventory of information technology (IT) equipment was performed over 2 years ago and the Court does not have records of when the last non-IT inventory was performed. Auditor testing did not find significant problems; however, the Court has less assurance equipment is properly safeguarded, and that records are accurate when physical inventories are not performed. For example, four items with a high susceptibility to theft or loss were not recorded on the Court's IT list. These items included two computer storage hardware devices and two printers valued at over \$29,000.

Mr. Peterson stated the last part of the report shows proper disposal of IT equipment could not be verified. Auditors reviewed documentation associated with the three most recent disposals of the Court's IT equipment. For two instances, the number of computers, monitors, and printers documented on the Court's disposal list did not agree to the receipt provided by the entity to which the items were donated. For the third instance, a receipt from the entity to which the items were donated could not be located. Although the Court has procedures regarding equipment disposal, they do not address the need to compare the receipt from the entity receiving excess equipment with the list of equipment approved for disposal. Two recommendations were made to help ensure the Court's equipment is properly safeguarded.

Mr. Peterson concluded by stating the report also contains an organizational chart of the Nevada Court System and the components of the Supreme Court, the audit methodology, and the Supreme Court's response to the audit report. In its response, the Court rejected recommendation one (to revise policies and procedures to help ensure competitive bids or quotes are solicited when procuring goods and services, including documenting the rationale when a vendor is deemed sole source) and did not agree with some findings. Therefore, in Appendix D, the auditors have included comments to assure the readers of this report that our findings and recommendations are appropriate. He opened for questions from the Committee.

Assemblyman Sprinkle stated the Court's response to recommendation one was the Judicial Branch is not required under the Nevada Constitution or state law to conform to the competitive bid process and asked if this was correct, and whether these are just best practices recommended to them.

Mr. Peterson stated that is correct. Auditors found from review of statute there is no requirement for the Court to solicit multiple quotes for bids as there is for Executive Branch state agencies.

Assemblyman Sprinkle asked regarding the Courts' response, if they understood the recommendation, was the Court unwilling to conform, or just not happy with the first recommendation.

Mr. Peterson stated he did not know how to characterize the Court's response. The relationship with the Office of the Courts and staff is good. Auditors discussed the findings and recommendations with the Court. Auditors believed the Court agreed that bids and quotes were appropriate depending on the value of the item being procured.

Chair Carlton stated it was nice to see the acceptance of the other recommendations but the first recommendation rejection stands out. This was a recommendation simply for best practices, and to reject it because the Court is not required to comply with statute does not mean it is not a good recommendation. She too wanted to know the reason and barriers for the rejection.

Robin Sweet, Director, Administrative Office of the Courts, stated the rejection was because the Court does not have to follow the law. The Court does say in its response that they will require competitive bids when estimated cost warrants. The Court's response notes that bids are obtained in many instances. It is just that the bids were not documented. In many instances, the staff does obtain bids from multiple sources, but only gives the Office the best bid.

Chair Carlton requested clarification on whether the Court was getting bids.

Ms. Sweet stated that she could not say that the Court is doing this 100% of the time. For example, when a state purchasing contract is used other bids are not obtained.

Chair Carlton stated that she has concerns about this recommendation being rejected. In this case we are not suggesting the law should change, we are just trying to set up best practices to make sure things are transparent. The Court does receive a

significant amount of general funds and therefore, understanding where the general fund dollars are being spent is important. Is it correct that you are probably going to comply with this recommendation sometimes but not necessarily in every instance?

Ms. Sweet responded that was correct.

Chair Carlton stated her additional concern is that there is a ballot measure for an appeals court. She asked whether there will be the same lack of transparency regarding general fund dollars received for the appeals court.

Ms. Sweet responded the Court of Appeals, if passed by the voters, will use the same administrative office and clerks' office; thus, the procedures will likely be similar.

Chair Carlton stated she finds this to be troubling because they will be expecting general fund dollars also. The best practices are out there on how funds are being spent. Though we may not always agree on a process, if there are policies and procedures there is consistency in the future.

Ms. Sweet replied that the Supreme Court does have financial policies and procedures in place and we do get bids.

Assemblyman Sprinkle stated the response does say that the Court will require such bids when the estimated price warrants such efforts. Do the policies and procedures define when bids are warranted?

Ms. Sweet replied that the Court is reevaluating if an actual dollar amount should be set. For example, if the estimated cost is \$3,000, is it appropriate to go to a request for proposal (RFP) that is going to take several people and several days to write and process? This is ineffective use of Court resources. The Court will look at whether Amazon, Home Depot or another has an item and are evaluating if there should be an exact cost dollar amount to require an RFP. The best practice document the auditors used for the recommendation was asked for; however, not received.

Assemblyman Sprinkle stated it is important the Court have documentation of best practices when being asked to acknowledge and use them. He agrees that for some purchases it may not be necessary to use a formal bid procedure. His concern lies in the lack of transparency and the ultimate authority just resting in the Court without any recommendations or best practices from the State or other outside body considered. A set amount would be helpful when competitive bids need to be obtained.

Senator Denis referred to the comment made that the Court will look at the current policy and make changes. He asked for clarification of who will be making this decision, the process, and how exceptions will be determined.

Ms. Sweet stated that the Court's process is policies are first created by a subject matter expert. For financial policy, she, as Director would have input. Other subject matter experts such as IT or human resources may create policy, dependent on the subject matter. The policy is drafted and then reviewed by the Court Policy Committee made up of all representatives of the unit. The Committee reviews, makes recommendations, and once approved it is then submitted to the Justices for final

approval. If the policies are not approved, they are sent back for further deliberations. The Justices are involved with the final decision on the policy. Exceptions are documented when requested. Documentation is then added to the file when complete.

Senator Denis asked how long this process is.

Ms. Sweet responded currently they are working on the inventory policy and that policy is approximately three or four weeks into its process, and it is almost ready to go to the Court. The financial policies are more detailed and are currently six months into that process. The Court started the rewrites of the financial policies prior to the audit, almost a year ago. Due to staff shortages, the process was stopped for a while. Later this year, the Court will have those policies completed.

Senator Denis thanked Ms. Sweet for her response.

Chair Carlton opened for a motion to accept the report.

SENATOR KIECKHEFER MOVED TO ACCEPT THE REPORT ON THE JUDICIAL BRANCH OF GOVERNMENT, SUPREME COURT OF NEVADA. THE MOTION WAS SECONDED BY ASSEMBLYMAN SPRINKLE AND CARRIED UNANIMOUSLY.

b. Department of Health and Human Services, Use of Certain Assessments Paid by Counties

Tammy Goetze, Deputy Legislative Auditor, began the presentation with background information. She explained during the 2013 Legislative Session, concerns were expressed regarding the Department of Health and Human Services' use of certain county assessments. As a result, Assembly Bill 255 was passed. Assembly Bill 255 requires the Legislative Auditor to audit the Department's use of assessments paid by counties pursuant to Nevada Revised Statutes 62B, 432B, and 439.

Ms. Goetze stated the Department of Health and Human Services collects several county assessments. During the 2011 Legislative Session, the funding source for several programs or services shifted from the state General Fund to county assessments. These programs or services directly benefit the residents of the counties impacted.

Assembly Bill 255 specified the following five assessments administered by the Division of Public and Behavioral Health and the Division of Child and Family Services to be audited: Community Health Services, Consumer Health Protection, Rural Child Welfare, Youth Alternative Placement, and Youth Parole Bureau.

Ms. Goetze stated from July 1, 2011, to December 31, 2013, the Department collected over \$20.6 million in county assessments. Ex. 1 shows the breakdown of total revenues collected by assessment and Ex. 2 shows each assessment and amount collected in fiscal years 2012 to 2014.

Ms. Goetze stated all counties must pay each assessment unless excluded by statute due to population thresholds. Counties may also request approval for an exemption to

carry out certain services that would otherwise be provided by the State. The report shows each assessment and the exempt counties.

Ms. Goetze described the audit scope and objectives. The audit focused on assessment revenues and related expenditures for the 30-month period ending December 31, 2013. Audit objectives were to evaluate the Department's calculation and collection of assessments, and use of assessments paid by counties for: the operation of regional facilities for the detention of children, activities of the Youth Parole Bureau, child protective services in rural counties, and health services provided in the counties.

Ms. Goetze discussed the report findings and recommendations. The auditors found the Department of Health and Human Services' use of certain assessments paid by counties complied with state law; however, stronger controls are needed over the calculation of assessments. After reviewing assessment calculations for fiscal years 2012 through 2014, auditors found assessment calculations were not supported by adequate underlying records. Either the documents provided did not support the amounts assessed or supporting documents could not be provided.

Ms. Goetze stated the Division of Public and Behavioral Health administers the Community Health Services and Consumer Health Protection assessments. Documentation supporting the calculation of these two assessments was not retained.

For the Community Health Services Assessment, the Division established contracts with the counties in which community health nursing services are provided. Auditor testing found documentation supporting the calculation of the base contract amounts was not retained. In addition, documentation supporting the numbers used in the calculation of certain cost estimates was also not retained and different methodologies were used in calculating these estimates. Division management indicated the supporting documentation for the contract amounts is no longer available, as the contracts have been in existence for over 14 years, and significant employee turnover has occurred.

Ms. Goetze stated the Consumer Health Protection Assessment represents environmental health program costs exceeding food establishment permit fee revenues. Counties are assessed a percentage of this amount for annual food establishment inspections provided by the Division in their counties. Auditor testing found documentation supporting the number of food establishments used in the fiscal years 2012 to 2014 assessment calculations was not retained.

Ms. Goetze stated the Division of Child and Family Services administers the Rural Child Welfare, Youth Alternative Placement, and Youth Parole Bureau assessments. Documentation supporting the calculation of these three assessments was not retained either.

The Rural Child Welfare Assessment is based on the rural child welfare program's costs for providing child protective services. The amount assessed to each county is based on the county's percentage of population under 18 years old. Auditor testing found

population data used in the fiscal years 2012 to 2014 assessment calculations were not retained.

The Youth Alternative Placement Assessment is a budgeted amount used for the operating costs of the youth detention facilities. The amount assessed to each county is based on the county's percentage of total student enrollment within the State.

The Youth Parole Bureau Assessment covers the costs for providing youth parole services to delinquent youth. The amount assessed to each county is based on the county's percentage of students enrolled in grades 7 through 12 in public schools within the State. Auditor testing found student enrollment data used in the fiscal years 2013 and 2014 youth assessment calculations were not retained. Division management indicated employee turnover led to supporting documents no longer being available.

Ms. Goetze explained current policies and procedures do not provide adequate guidance to assist staff with developing and providing adequate support for assessment calculations. Without sufficient underlying records, assessment calculations cannot be considered reliable. Policies and procedures are lacking. The Division of Public and Behavioral Health has not developed written policies and procedures over its health assessments. As a result, staff could not explain the differences auditors found in the number of food establishments used in the calculation of the Consumer Health Protection Assessment. Additionally, staff could not explain how the base contract amounts were calculated for the Community Health Services Assessment.

When the assessments were established, the Division did not develop policies and procedures describing the calculation of these health assessments. Procedures are needed to help ensure assessments are calculated accurately and consistently over time. Division management indicated it is in the process of developing policies and procedures for these assessments.

Ms. Goetze stated the calculation of certain youth assessments did not comply with state law. Incorrect student enrollment data was used in the calculation of the Youth Alternative Placement and Youth Parole Bureau assessments. As a result, counties were not assessed the proper amounts in fiscal years 2012 to 2014.

State law requires the total number of pupils in the State in the preceding school year be used for the calculation of the Youth Alternative Placement Assessment. However, auditors found the fiscal year 2012 assessment only included students enrolled in grades 7 through 12, and the fiscal years 2013 and 2014 assessments did not use student enrollment data from the preceding school year. Auditors recalculated the correct assessment amounts and determined the largest differences for fiscal years 2012 through 2014 combined were Elko County being under assessed by \$9,182, and Washoe County being over assessed by \$13,414. Ex. 4 shows the assessment calculation differences per county for fiscal years 2012 to 2014.

In addition, state law requires the total number of pupils enrolled in grades 7 through 12 in public schools in the State in the preceding school year be used for the calculation of the Youth Parole Bureau Assessment. However, auditors found the fiscal years 2012

through 2014 assessments incorrectly included private school students, and the fiscal year 2014 assessment did not use student enrollment data from the preceding school year. Auditors recalculated the correct assessment amounts and determined the largest differences for fiscal years 2012 through 2014 combined were Clark County being under assessed by \$29,549 and Washoe County being over assessed by \$45,154. Ex. 5 shows the assessment calculation differences per county for fiscal years 2012 to 2014.

Ms. Goetze stated these errors occurred because staff did not follow written policies and procedures for properly calculating the county youth assessments. After discussing the differences with management, the Division indicated that the counties' fiscal year 2015 assessments will be adjusted to reflect the errors noted in our audit. Four recommendations were made for improving controls over assessment calculations.

Ms. Goetze stated auditor testing found the Department used county assessment revenues as statutorily intended. Auditors tested 225 expenditures totaling over \$3.7 million and found transactions were properly approved, mathematically accurate, and properly recorded. Costs also related to the services being provided.

A description of the use of assessment revenues and our analysis of fiscal years 2012 and 2013 costs for each assessment are outlined in the report. For the Community Health Services Assessment, assessment revenues are used to cover costs relating to the operation of community health nursing facilities. Ex. 7 shows the assessment amounts and costs for providing these services by county.

Ms. Goetze stated for the Consumer Health Protection Assessment, auditors indicated that assessment revenues are used to cover the costs of conducting food establishment inspections. Ex. 8 shows the assessment amounts and number of food establishments by county.

For the Rural Child Welfare Assessment, auditors state that assessment revenues are used to cover the costs for providing child protective services related to preventing, investigating, and treating child abuse. Ex. 9 shows the assessment amounts, children served, and costs for providing these services by county.

For the Youth Alternative Placement Assessment, auditors indicated in the report that assessment revenues are used to assist with the costs for operating the China Spring Youth Camp and Aurora Pines Girls Facility located in Douglas County, which detain children who have been adjudicated delinquent by Nevada courts. Ex. 10 shows the assessment amounts and youths committed by county.

Regarding Youth Parole Bureau Assessment we found that assessment revenues are used to cover the costs for providing supervision and case management services to delinquent youth committed to the Division of Child and Family Services youth correctional services. Ex. 10 shows the assessment amounts and average number of youths served by county.

Ms. Goetze stated auditors found better communication with counties is needed regarding the use of assessment revenues and services provided. Auditors surveyed

10 counties regarding concerns they may have relating to these assessments, and several counties did not feel they had enough information to answer our questions. Counties stated that they pay their annual assessments, but receive very little or no correspondence to show how their money is being used and services being provided to their counties. Two final recommendations for improving communication with counties were made.

Ms. Goetze concluded her presentation stating the end of the report contains a copy of Assembly Bill 255, county assessment statutes, assessments paid by each county during fiscal years 2012 to 2014, a summary of the county survey, our audit methodology, and the Department's response. The Department accepted all six recommendations. She opened for questions from the Committee.

Chair Carlton stated to Mr. Townsend that she wanted to make sure the sponsors of this bill receive notice that this report was delivered and if they want a copy, it may be requested.

Senator Parks stated the lack of underlying records, estimates not being retained, or certain documents being no longer available is throughout the entire report. He asked if this was due to a lack of staffing.

Ms. Goetze replied that the answer depends on which assessment you are speaking of, since there are five assessments from two separate Divisions. A majority of the responses from both Divisions are that individuals who prepared the actual assessment are no longer employed by each Division. Due to employee turnover, they no longer had the documents to support their calculations.

Senator Parks stated this is because someone had done estimates earlier on or years before and someone just followed through with those.

Ms. Goetze replied the assessment referred to is Community Health Services' and it had contracts established 14 years ago, but did not have the documents to determine the cost stated on the contracts.

Chair Carlton stated it was probably the counties wishful thinking that when these assessments changed it would not be permanent. As it turns out, we are still doing it. She hoped that in the future there would be a more proactive setting and trueing up mechanism with overpayments, underpayments, and recalculations. Looks like this bill is going to stay around. In the future, this needs to be done better. Considering the circumstances, the auditors did a good job putting this together. The bill was drafted because the counties did not understand what they were getting for their dollars. Better communication on how the money is being spent in the appropriate areas will give people a level of comfort moving forward.

Senator Denis asked how long the Division anticipates it will take to put these policies into place.

Amber Howell, Administrator, Division of Child and Family Services stated that there is an action plan started and it should take no longer than 60 days to implement. The

Division has some policy and procedure cleanup to do and some supervisory oversight so we do not anticipate implementation to take very long. This is good to make those changes so it will not happen again.

Mary Wherry, Deputy Administrator, Division of Public and Behavioral Health, stated that the Division has already started working on the policies and procedures for both Consumer Health Protection and the Community Health Nursing Program. It anticipates completion within 60 days. Regarding Senator Parks' question, normally records are sent to Archives and the record retention policy is 6 years for the State.

Chair Carlton opened for a motion.

ASSEMBLYMAN SPRINKLE MOVED TO ACCEPT THE REPORT ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, USE OF CERTAIN ASSESSMENTS PAID BY COUNTIES. THE MOTION WAS SECONDED BY SENATOR KIECKHEFER AND CARRIED UNANIMOUSLY.

c. Department of Employment, Training and Rehabilitation, Rehabilitation Division

Shawn Heusser, Deputy Legislative Auditor, stated the Division's mission is to bring Nevadans together to promote barrier-free communities in which individuals with disabilities have equal access to opportunities for quality work and self-sufficiency.

Ex. 1 provides an explanation of the Division's three bureaus and other office functions. Ex. 2 and 3 provide a breakdown of revenues and expenditures by budget account.

During fiscal year 2013, the Division had about \$40 million in revenues and expenditures, with nearly \$21 million attributed to Services to the Blind and Vocational Rehabilitation, which were the focus areas of the audit. About 80% of vocational rehabilitation services are funded by the Federal Government with the remaining 20% required as a match by the State. Auditors outlined in the report the criteria used for determining applicant eligibility for vocational rehabilitation services. The report also explains a participant's Individual Plan of Employment (IPE) is an agreement, which documents the anticipated employment outcome and specifies the services to be provided by the Division.

The objectives of the audit were to ensure service payments were properly approved, paid, monitored, and in accordance with the IPE and to ensure IPEs were approved in accordance with Division policies and procedures.

Mr. Heusser stated the auditors found the Rehabilitation Division does not ensure payments for vocational rehabilitation services are properly approved, paid, monitored, and in accordance with IPEs. Further, auditors found the Division does not ensure IPEs are approved in accordance with policies and procedures. Finally, auditors found the Division lacks adequate controls as certain staff are responsible for performing all of the functions for participant rehabilitation with little required oversight.

Mr. Heusser stated the Division needs to strengthen its controls and establish clearer guidelines regarding the provision of services not directly attributable to correcting primary disabilities for which participants are deemed eligible. Ex. 6 shows the Division incurred over \$1.7 million in dental expenditures for fiscal years 2009-2013. Three offices were responsible for 62% of all participants receiving dental services and 62%, or \$1.1 million in dental expenditures as shown in Ex. 7 and 8. These offices averaged \$271 in dental services per participant (not just dental participants). The remaining offices averaged only \$49 per participant for dental services during the same time period. Had the 3 offices averaged the same as all other offices, dental expenditures would have been \$907,000 less during this time period.

While participants receiving dental services typically have a primary disability other than dental used for determining eligibility, in several instances the dental services were the only or vast majority of services rendered. Ex. 9 illustrates this as 23 cases listed a disability other than dental, yet nearly 95% of all case expenditures were for dental services.

Mr. Heusser continued that in September 2013 the Division notified the three dental service providers in Ely that dental problems alone would no longer qualify a participant for rehabilitative services. However, without specific policies and procedures for determining when dental services will be provided, the Division is at risk that disabilities used for determining eligibility will not be addressed.

Mr. Heusser stated that the report discusses the importance of better monitoring of rehabilitation counselor duties and direct payments. Ex. 10 provides a breakdown of the vocational rehabilitation expenditures between July 2011 and March 2013. Auditor review found that if the Division reduced the counselor approval threshold from \$6,000 to \$2,000 the total number of transactions requiring review by a supervisor would increase by about 70 per year. In addition, had this threshold been in place during our audit period, the supervisor over the Ely office would have been required to review 74 dental transactions over a five year time period; however, under the current threshold of \$6,000 only one dental transaction required additional review. The report notes examples of controls that can be implemented to address concerns regarding the volume of transactions.

Mr. Heusser continued with direct payments to vendors or participants were not always accurate or properly documented. Direct payments are typically for tuition, transportation, housing, supplies, and relocation expenses. Of the nearly \$17,000 in direct payments we tested, over \$11,000 was inadequately documented.

Mr. Heusser stated the Division does not have an adequate process in place to ensure IPEs are properly approved. Authorized amounts for IPEs were exceeded without being updated and approved by the proper Division authority. As shown on page 20, seven recommendations were made to improve oversight of vocational rehabilitation services.

Mr. Heusser continued on page 21 with the Division lacks controls over transportation activities to prevent or detect misuse, abuse, or fraud. Auditors noted that the Division

needs to strengthen its controls over the purchase, receipt, distribution, and monitoring of fuel cards and direct fuel purchases.

Ex. 11 shows the Division provided nearly \$270,000 in fuel purchases between July 2011 and March 2013. Fuel purchases are intended to assist participants with activities related to vocational rehabilitation services or eligibility assessments.

Mr. Heusser explained that fuel cards were not accounted for or safeguarded. For example, the Division could not account for which participants received 40 (35%) of 114 fuel cards included in the auditors sample. Due to the weaknesses noted in the control system and a lack of policies and procedures over fuel cards, the Division cannot account for all fuel cards purchased and has limited to no assurance that fuel cards were actually distributed to participants.

Mr. Heusser stated Division staff are not enforcing mileage log submission requirements. Out of 84 fuel assistance transactions, 78 (93%) did not include mileage logs. Without mileage logs, the Division does not know if participants used fuel purchases for their intended purpose. Similar issues for the Division's distribution and monitoring of bus passes are included in the report. Five recommendations were made to improve the controls and oversight of the Division's transportation assistance.

Mr. Heusser concluded his presentation stating the report contains the audit methodology as Appendix A. The Division's response is included at Appendix B and the Division accepted all 12 recommendations. He opened for questions regarding the report.

Senator Kieckhefer stated it seems as though there is a lack of accountability and lack of controls within these programs.

Mr. Heusser replied yes, we did have definite concerns with the controls that were in place. Primarily with the fact that the rehabilitation counselors while highly qualified, have sole control in approving the IPEs at the beginning of the process and approve the vast majority of expenditures.

Senator Kieckhefer stated so there is really only one person making all the decisions.

Mr. Heusser replied that is correct.

Senator Kieckhefer stated he understands the Division is looking for a way to get services to clients; however, this is why there needs to be layers of separation and approval. He asked if there is a staffing issue in the Division.

Mr. Heusser replied no, that proper staffing is in place. As pointed out in the report, if transactions were reviewed by supervisors then there would be a second pair of eyes looking at transactions making sure that expenditures were appropriate and in line with Divisions policy.

Senator Parks stated he can understand the transportation assistance program; however, an example of the dental services provided was requested. In a 5-year period there are 136 participants receiving dental services, he assumed those are individuals

and not a total number of visits. He asked what scenario a person would take to become eligible and receive dental services.

Mr. Heusser replied people who were seeking employment or employed at a customer related job, their appearance could be problematic for them to maintain or get the job because of bad dental hygiene. The Division claimed that sickness follows with these dental related problems. This was documented as to the reason why people were receiving these services.

Senator Denis asked does that mean there was a greater incidence of people needing dental services in Ely versus everywhere else. Does Ely have a reason for more dental problems than elsewhere?

Mr. Heusser responded that testing was expanded regarding dental services in Ely. Division management explained to auditors that these services were spread by word of mouth throughout the community.

Senator Denis asked if the auditors found an inconsistency, if people were denied in other areas thus creating a double standard, and was policy different from place to place.

Mr. Heusser stated auditor testing did not include doing a review looking at specific denials at other offices; therefore, he did not have that answer.

Assemblyman Sprinkle asked when you presented this lopsided finding to the Division what was there explanation. You stated something about word of mouth as to the reason why. Did they have any additional reasons?

Mr. Heusser stated yes, the basic answer was it is a small town and you can receive that care.

Chair Carlton asked how many dentists are in Ely.

Mr. Heusser responded three that were providers. He did not recall how many more.

Shelley Hendren, Administrator, Rehabilitation Division, introduced herself.

Janice John, Deputy Administrator, Rehabilitation Division, introduced herself.

Ms. John stated that Ely is a very small town with three dentists available for services and one dentist in Utah. The cost for services in rural towns is sometimes more costly than in urban areas. The joke of word-of-mouth is what happened. In a small town a lot of times, people need these services and when you find an agency that is able to assist, people share that information. Services were provided more broadly than maybe in other areas. No person has been denied with a disability that has been assessed and approved by the dental consultant. All applicants including those in Ely are approved by a dental consultant for the cost involved.

Chair Carlton thanked Ms. John for her answer and stated it is easy to reach a \$2,000 dental threshold. She was happy to see the recommendations were accepted. She requested to hear more about implementing the review process at the supervisor level.

Is the \$2,000 dental limit proper, will a policy with that amount be instituted, and how will the discussion go?

Ms. Hendren replied that the Division has already made some changes within the policies and procedures manual tightening up the qualifications for an individual to receive dental services. The Division has been in contact with the service providers in Ely regarding these new constraints. Not to say that any of the services previously provided were contrary to policy, law, or manual. The Division has tightened up the disproportional rate in the finding. There are three dental providers for Ely. Elko, Winnemucca, and St. George have six dental providers including the three in Ely. As far as the internal controls and having another look at individual expenditures, the Division would like to proceed with caution by looking at it statistically, ensuring there are resources, and being prepared to do it. An extra set of eyes and approvals would be best practice and the Division is considering review of its data and resources now.

Chair Carlton stated she would like to see the Division move away from the \$6,000 dental cost range. However, she is unsure if the \$2,000 range is a correct range either. The Division needs to start evaluating and looking at the ranges with an extra set of eyes because the dollars that do not get spent in one location can possibly be spent in another location to help others. Because when we look at this list the numbers are glaring when Ely is over \$377,000, the southern district is \$117,000, and Carson City is only \$44,000. It seems that there is a large pie of money and she wants to make sure that people in other areas are getting the same level of service. Everyone should be treated equally and have service. If everyone in Ely needed the service that is great, but surely Carson, North Las Vegas, and Winnemucca need services also. Let's try and balance this a little more.

Ms. Hendren stated that the Division agrees with her comments and wants to serve all Nevadans that need their services.

Senator Parks stated that 80% of the funds that are distributed come from a federal source. A federal audit of these programs might disallow some of the funding and put the State on the hook for reimbursement. Is there any knowledge of that?

Ms. Hendren responded the Division is audited by our federal oversight agency, which is the Rehabilitation Services Administration (RSA). The last audit was in 2011 and there were no findings pertaining to dental expenditures.

Senator Denis stated how long do you think it will take to implement all of the recommendations.

Ms. Hendren replied that several changes have been implemented for a large majority of the 12 findings already. There are three findings remaining that are requiring a little more time to research. Most of the changes have already been implemented and we are already seeing a change in the disproportional dental amounts.

Senator Denis asked on the recommendations remaining how much longer will those take.

Ms. Hendren replied that the Legislative Counsel Bureau gives the Division a certain amount of time to create the action plan. The Division will work to complete the recommendations within the time limits required, but the goal is to have those responses done within the next month.

Chair Carlton stated that the first page of the report highlights is the recommendation status. Members of the committee are always welcome to follow up with individual agencies to see how they are doing. If the agency wants to reach out to anyone, it is welcome to follow up on any other questions. We are going into a legislative session, which allows us to go a little more in depth with some of these things.

Chair Carlton called for a motion.

SENATOR KIECKHEFER MOVED TO ACCEPT THE REPORT ON THE DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION, REHABILITATION DIVISION. THE MOTION WAS SECONDED BY ASSEMBLYMAN SPRINKLE AND CARRIED UNANIMOUSLY.

Chair Carlton called for additional public comment. There was none.

Item 4 — Presentation of Review of Governmental and Private Facilities for Children, October 2014 (NRS 218G.575)

Mr. Townsend provided a brief history of the review. Pursuant to statute, the Audit Division did its first review of facilities based on Legislation passed in 2007. Based on that review in 2009, legislators created a bill to make this a permanent responsibility of the Division. The need for the reviews arose from instances that occurred at a state juvenile detention facility in about 2001. These incidents resulted in a federal investigation and a highly critical report.

Discussing the need for legislation in 2009, Assemblywoman Sheila Leslie who was the bill sponsor stated, "I do not want any other legislator ever to have to read a report like that about one of our state institutions without having any warning signs there might be problems." This is what started the reviews to be conducted on an ongoing basis.

Our role is to provide information to assist the legislators in their oversight responsibilities and we are trying to provide some early warnings so not to be put in that position again. Although the problems here today are not as severe as the ones in the past, there are notable problems. In the report, you will see specific issues and responses from the facilities on the corrective action that is taking place. Mr. Townsend introduced Sandra McGuirk, Deputy Legislative Auditor, and Jane Bailey, Audit Supervisor, who have been doing these reviews since their inception, to present the report.

Ms. Bailey began the presentation with the introduction. This report includes the results of reviews of 4 children's facilities, unannounced site visits to 2 children's facilities, and a survey of 63 children's facilities. In accordance NRS 218G, the statute requires reviews of both governmental and private facilities for children. Auditors have identified 21 governmental and 42 private facilities in Nevada. Ex. 1 shows the number of

different types of facilities, their maximum capacity, average population, and staffing levels as of June 30, 2014.

Ms. Bailey reported that an additional 105 youths were placed in out-of-state facilities by local governments or the State as of June 30, 2014. These youths were placed in 25 different facilities in 13 different states across the United States. Ex. 2 shows the number of youths placed in out-of-state facilities by the different placing agencies for the past 3 years.

Nevada statutes require children's facilities to forward to the Legislative Auditor copies of complaints filed by children in their custody or on behalf of those children. In the year ending June 30, 2014, 833 complaints were received from 29 facilities in Nevada. No complaints were reported during the year for 32 facilities and 2 facilities did not provide complaint information. A facility may report no complaints because of the type of facility or age of the youths served. For example, younger youths in a residential setting are more likely to discuss complaints rather than write a formal complaint.

Ms. Bailey concluded her portion of the presentation with the audit scope, purpose and methodology. The reviews include an examination of policies, procedures, processes, and complaints. Related issues were discussed and observed during the facility visits. She introduced Sandra McGuirk to present the conclusions and observations made during the reviews.

Senator Kieckhefer asked for the reason why there was a significant drop in out-of-state placements by Clark County in 2012 through 2013.

Sandra McGuirk replied Clark County has represented that it is doing a better job as far as identifying what the youths' issues are. They are better able to determine which youths have mental health issues and which have a combination of issues. In addition, they are doing a better job, according to county officials, in surrounding the kids with services in their area instead of making a decision to send them out-of-state if they failed some placements in the state.

Senator Kieckhefer stated better service and effort will keep kids located here rather than placing them out of state. This had nothing to do with the reopening of Red Rock. This was a focused effort.

Ms. McGuirk stated that is correct.

Ms. McGuirk continued with the presentation. She stated based on the procedures performed the policies, procedures, and processes in place at three of the four facilities reviewed provide reasonable assurance that the facilities adequately protect the health, safety, and welfare of the youths at the facilities, and they respect the civil and other rights of the youths in their care. During the two unannounced visits conducted, nothing was noted to cause us to question the health, safety, welfare, or protection of the rights of the children in the facilities.

Ms. McGuirk stated it was concluded the policies, procedures, and processes in place at Rite of Passage-Red Rock Academy (Academy) did not provide reasonable

assurance that it adequately protects the health, safety, and welfare, and respects the civil and other rights of the youths in its care. The Academy is owned by the State and is located in Las Vegas on the campus of the former Summit View Youth Correctional Center. The Academy is operated through a contract between the Department of Health and Human Services, Division of Child and Family Services, and Rite of Passage, a private, not-for-profit organization.

Ms. McGuirk stated the Academy's policies and procedures need improvement, and management needs to take additional steps to ensure staff complies with all policies and procedures. To illustrate some of the improvements needed by the Academy, she discussed some of the details from the report.

The Academy's policies do not require an independent review of medication files and records, and the documentation of any reviews completed. An independent review is a method to minimize and address errors. The review found 12 files for the 15 youths who received medication contained errors. Errors included medication administered twice on the same day and documentation indicating a youth was administered double the amount of the prescribed dosage for 8 days.

The staff-to-youth ratios at the Academy did not comply with federal standards or its contract with Department of Child and Family Services. Standards and the contract require a ratio of one staff to eight youths during awake hours. Ratios observed during awake hours included unsupervised youths, 1 staff to 11 youths, and 2 staff to 24 youths. In addition, we reviewed the Academy's documentation for 2 additional months and found 98 instances where ratios exceeded 1 staff to 8 youths during awake hours, including 1 staff to 18 youths.

The Academy's lack of control over tools included its failure to inventory tools routinely, which could result in missing tools remaining missing for an extended period of time, allowing either misuse or theft. Contraband type items observed included sharp objects or objects that could be used as weapons, such as pipes, screws, and a broken piece of Plexiglas.

Ms. McGuirk stated all 20 personnel files reviewed contained evidence the Academy requested background investigations from the criminal history repository using incorrect statutes. Specifically, background investigations were requested using NRS 179A or NRS 449, which are both more lenient than the statute the Academy should have used, NRS 62B.

The Academy's corrective room restrictions policies were unclear and were not consistent with statutes. The term corrective room restriction is defined as confinement of a youth to his or her room as a disciplinary or protective action. The Academy's policies were unclear on the classification and uses of corrective room restrictions, which resulted in poor reporting of youths placed on corrective room restrictions. In addition, reports were not traceable to supporting documentation.

Ms. McGuirk stated all four facilities reviewed needed to develop or update policies and procedures. The types of policies and procedures that were missing, unclear, or outdated included establishing identity kits for each youth served for use during an emergency; implementing the Prison Rape Elimination Act requirements; specifying the timeframe in which a treatment plan must be developed; and clarifying the types of actions that constitute corrective room restriction.

All four facilities reviewed needed to strengthen their medication administration processes and procedures. It was found that some youth's files were missing key documentation, such as physicians' orders. Some youths' medication administration records contained errors or blank spaces, such as the documentation of an incorrect dosage of medication or documentation of medication administered to a youth on a day that did not exist. At one facility, youths' files showed some youths did not receive their medication for up to 22 days after it was prescribed.

Ms. McGuirk stated there is a need for all four facilities' to improve their background investigation processes and policies. Policies at two of the four facilities did not include an accurate list of the convictions which would preclude a person from working at the facilities. In addition, two facilities could improve their background investigation policies and procedures by including a requirement for all new employees to be subject to a search of the Statewide Central Registry for the Collection of Information Concerning the Abuse or Neglect of a Child.

Ms. McGuirk concluded her presentation explaining the report provides more detail on issues noted at each facility, as well as each facility's response. For example, Appendix D on pages 55 through 57 provides some background, population, and staffing information on 63 Nevada facilities. She opened for questions.

Assemblyman Sprinkle stated he recalled at the last meeting the same findings over and over again kept popping up. He asked Ms. McGuirk if she is keeping track of this and is there any recommendations for the legislators she would have rather than just talking to individual facilities to improve the bigger picture. For example, background checks and medication procedures keep popping up. Is there an example of a proper procedure that can be implemented in all facilities or is it so independent to each facility that this would not work?

Ms. McGuirk replied yes, we do keep track of all the items that keep coming up. It is important to note that our reviews focus on the weak areas. This may be why you see all these issues coming up time and time again. We focus on the weak areas because we would like to see improvement in those areas. Due to the nature of the reviews and audits, we identify areas of improvement rather than focusing on the positive things. However, when a facility does a good job, we do give credit to that particular facility and have reported that in the past. There are statutes that each of these facilities have to follow. She was not sure if the information was trickling down from the management at these facilities to staff, but auditors do look at this closely.

Improvements are being found, however they are small. When selecting facilities to review, consideration is given to the risk associated with a facility. For example, how many issues there were during the last review. There is a whole range of issues looked at and tracked. The areas of weaknesses are the ones we consistently hit.

Chair Carlton stated in the interest of full disclosure, she did not support this facility from the beginning. She had concerns and this report gives her even more concerns, especially when she reads about the lack of control of the tools and then the kids use the tools to escape. That just shows you how smart they are. The report was not a disaster but the fact that we had three youths able to escape gives me pause. She remembered the speaker saying during a couple of meetings that she had concerns with this facility, its location, and our constituents that are near it. Going through this report and seeing all the staffing issues, it just piles on top of itself and she realizes they are new and working towards being successful, however she is very concerned. All these pages in the review on one facility are overwhelming. The discrepancy between Red Rock's outlook on staff background checks and compliance with that is a big concern and getting the Department of Public Safety and Attorney General's Office involved is important. We have a youth center with a corrections component attached to it and folks are talking crosswise on this. Is there something we need to do to straighten this out in next legislation session? She asked where the miscommunication is so the appropriate background investigations can be done at this facility.

Ms. Bailey responded the confusion lies in that Rite of Passage operates more than one type of facility in this state. At some of their facilities, background checks are conducted under NRS 449, NRS 179A, or the Adam Walsh Act. However, for correctional facilities, background checks should be conducted under NRS 62B, pursuant to an informal Attorney General's opinion and from the Department of Public Safety staff. The statute should be used that applies to a specific facility. This is a correctional facility; therefore it would fall under NRS 62B.

Chair Carlton stated this is what needs to be clear. This is a correctional facility that is owned by the state and contracted out. Ultimately, what happens in this facility is our responsibility. She asked Ms. Bailey if work is being done to resolve this issue.

Ms. Bailey stated this would be better answered by the facility.

Chair Carlton asked the details of the contract, given the amount of time these folks are going to have to fix these problems, and move forward. She stated there is also the next legislative session to work on any problems that may exist. If this does not get better, she asked where the contract sits. People need a chance to improve, but if not, we need to know our options.

Amber Howell, Administrator, Division of Child and Family Services (DCFS), stated the contracts have a couple of provisions. One is to start levying \$5,000 per day in fines for failure to comply. The facility has not reached that yet. But we were very close. The Academy has made significant improvements and we are monitoring it closely. If the action does not get better, the contract can be terminated according to provisions

contained within the contract. Terminating the contract would be the end result. Currently there are 50 kids and the facility is at capacity. The Division does not have any intention of increasing the cap based on these findings and the budget approval.

Chair Carlton asked of the 50 kids that are at the facility are they all in-state kids or a blend of in-state and out-of-state.

Ms. Howell replied the kids are all in-state. She did not believe they have accepted any out-of-state kids yet. Mr. Howell can comment on that.

Chair Carlton stated that she would just be worried that if we took in kids from out-of-state and we currently have these kinds of problems, which opens the door for even more problems in the future. It is bad enough as it is. The Academy only has 50 kids right now; that is good. She asked Ms. Howell for details to be sent later. She would like to understand the components of this issue if we reach that point. We do not want to fine people; we want it fixed.

Ms. Howell stated she could provide the committee a copy of the contract and echoed her comments. Nevada needs a facility with this level for our youth offenders. The Division has done it the other way, without having a secure facility, and we need one and are invested in getting there.

Steve McBride, Deputy Administrator, Juvenile Services for Child and Family Services, introduced himself.

Lawrence Howell, Executive Director, Rite of Passage, introduced himself.

Chair Carlton asked if the recommendations could be addressed and, moving forward, where is the facility going.

Mr. McBride stated the background checks findings has probably been their most significant challenge. They have gone outside the Division to illicit feedback from the Department of Public Safety and from the Deputy Attorney General to guide in the proper direction. Where the confusion does arise is the fact that Rite of Passage does operate more than two different types of programs in the state of Nevada. In addition to the state correctional program, they have an agreement for conducting the background investigations and checks for the Silver State Academy. He referred the details to Executive Director Lawrence Howell. When guidance was received from the Department of Public Safety, he felt clear that the information given was that in order for Rite of Passage to have their employees background checked, they had to go by the statute that had been cited. Guidance was also sought from our Deputy Attorney General. With the findings that have been shared today in the response, clearly we have to revisit this and determine where the missed steps have occurred so we can be solid moving forward. The conversation has been continuous and will continue from here on.

Mr. Howell sated this has been a very frustrating process. Rite of Passage (ROP) said it would do whatever you want it to do, tell it what to do; and how to do it, to the point of asking for the Attorney General's opinion through the Division of Child and Family

Services and got an opinion. Then the Department of Public Safety said it had to be done another way. Then Legislative Counsel Bureau said another way. ROP said all along it will review statutes and make sure its staff's background checks match the requirements. Tell us how to do it and we will do it. This is how we have been. ROP meets with DCFS personnel every Tuesday morning in person and every Thursday morning by video conference to discuss policies and procedures, facility plant improvements and needs, and maintenance issues, etc. Everything in this report is discussed several times a week. It is a collaborative effort. Is there anything else that ROP can do as an organization to meet the other three organizations' different opinions? The last opinion from Department of Public Safety that said basically your agency is receiving the same information; you comply. Tell ROP anything else it needs to do. ROP does not have any staff that would be precluded as result of NRS 62B.

Chair Carlton stated that she now realizes the Academy is a corrections institution and there are different levels of background checks, so we should be able to address that. First of all, we want to make sure the kids are safe, second, we want to make sure the employees are safe. When reading in the report about the staffing level, the tools issue, and medication issue, these all added up can be hazardous for the employees. Ultimately, they are not employees of the State but we still are responsible for this Agency. She asked how many employees are on staff.

Mr. Howell responded there are 60 that work at the Academy. Everyone meets qualifications per the position. There was some clarification on who counts in the ratio, and so we sought out the opinion of the American Correctional Association (ACA) and are currently going through their accreditation process. Through their guidance, the Academy was able to count a few more staff. This audit pointed out a lot of stuff that has either been corrected, is in the middle of being corrected, and 90% is complete. It is a much better program than before the audit was done; that is the result of being a startup. ROP is putting everything we have into making this the best program in Nevada.

Chair Carlton stated that her only concern is there are 50 kids there and a staff of 60, the Academy may still be on the low side. The auditors will be back out. As the Academy moves forward, in its corrective action plan, 60 adults to 50 kids sounds great, but when you start breaking it down into the different shifts that sounds low. Ultimately, it is about the treatment of the kids and safety of the employees. These numbers give her a little bit of pause. Not sure how much the Corrections Association can help you with this, because we have to be very careful with that according to the Prison Rape Elimination Act. More work needs to be done there and that is one of the places she will be focused on watching. Because you can fix the toilets, fix the showers, and change the food but you cannot fix the kids or hurt employees. The ultimate goal is making sure everyone is safe.

Assemblyman Sprinkle stated that the facility has been working very hard prior to the audit to correct these findings, however there is something he did not understand. Ms. Howell made a comment earlier that it almost got to the point where fines were going to

have to be imposed to have these corrective actions take place. Not totally familiar with the contract, he assumed there is a step process there that is probably one of the later steps. Corrections are not being accomplished. He asked if these things are being done, or if there is some misunderstanding or miscommunication that prevented the corrective actions from taking place the first time. Is this going to be something we are going to have a problem with in the future? The conversations prior to the opening were contentious with a lot of concerns from the state from at least three of us sitting at this table right now. He wanted to make sure that that the organization is fully ready to work with the state when something like this comes up.

Mr. Howell responded we are throwing everything we have at this project to the point of moving staff from other states to this state. ROP never was notified it was near a fine. Part of this is the newness of the project. The Academy has policies that have been revised eight times in the last six months in efforts to improve. ROP is working hard. Each week ROP finds something not thought of and rewrites again. The current operations manual has over 120 policies in it and most of them have been rewritten seven times since December 4, 2013. This is a start-up, a constant evolution. By no means are these excuses. Nevada will be proud. This will be the best correctional program, secure treatment program for juveniles, because if a more in depth audit was done, ROP would have exceeded expectations.

There is a monitor on site 6 days a week, 8 hours a day who meets with our staff constantly. In addition to the monitor and the meetings on Tuesdays and Thursdays, the Academy is going through the ACA accreditation process. There are 100's of standards that have to be approved to be accredited. The Academy will be accredited next summer. Things are going very well with the ACA Accreditation. He stated he speaks with their specialist weekly and consults with the state. Outside consultants have been hired that have been federal monitors. ROP hired a consultant for the Academy that was the superintendent of the largest correctional facility in Colorado in the past, now retired. ROP has a steering committee made up of a member of the legislature and members of local and rural communities and have met with them twice. We are saying anyone who can help, bring it on, as this is a tough project. Some people call these kids Nevada's most unwanted which is not a term we like, but it is a tough group. It takes a team effort.

Assemblyman Sprinkle stated he truly does appreciate that, as an organization starts up these problems are going to arise. He just wanted to make sure that he understands. He gets the Chair's concerns and the concerns of the state. Ultimately, those children are our responsibility. He is not saying there will not be issues that arise. He just wants to make sure there is a very good relationship between you and the state, so when these things happen there is not a problem trying to fix the problems as they arise. This is what he is looking for as we go into the next Legislative Session and we continue to get updates. He wants to make sure that relationship exists.

Mr. Howell replied that he completely understands.

Senator Kieckhefer stated unlike Chair Carlton he was a supporter of trusting the management of this facility to a vendor as we were preparing to reopen it last session and reading this report makes him question he was right; he hates feeling that way. He is very hopeful that this relationship does move forward when we get into 2015. We do feel comfortable moving forward. He commented the facility has only been open for 10 months and a lot of the criticism in the audit relates to the policies and procedures. He asked Ms. Howell what steps are taken to review their policy manuals as a state prior to their opening. Did we not know what we were looking for when we reviewed those the first time? If they have to be edited 7 or 8 times in 10 months it makes me worried we really were not prepared for day one.

Ms. Howell responded that Mr. McBride added to the procedures where she missed steps. Everything happened very quickly, the Division believed there was a good set of policies to start on day one. Then as you open, there are some growing pains. She believes this is a balance between growing pains and safety and security. Mr. McBride can speak about where the policies were at that time and what has happened since. The policies are being revised and he has more detail.

Mr. McBride stated the policies were received very close to the time we had planned for the transition of youth into the program. Due to the volume of policies and the amount of review, we worked with some contractors for that specific project to assess whether these were adequate for our needs. ROP found that it needs to put a lot more revision into many of them. Some were for similar programs but not program specific to the Summit View Site. With the process of going through ACA accreditation, they required things that ROP would not have known had they not gone through the process. In April, ROP started a weekly policy review team that consists of members from DCFS, Rite of Passage, and Mr. Howell. All sit down for 2 hours and go through policies for revisions, edits, and approval. Some need to be revised several times. When we talk about 8 revisions, it is not always huge pieces of policies, but sometimes it is. Whenever ROP receives new or additional information that is worthy of consideration, we sit down and talk about it again as a group. He wished this was started in early months. That is a lesson learned on where we are today. Moving forward and taking the lessons learned he believes there are some excellent policies moving forward, the process will continue and processes at the Academy will continue to get better.

Chair stated that this has been covered.

Ms. McGuirk stated that she believes it is important to note that a lot of this is policy driven; however, there are significant issues that are beyond policies and procedures. Not only does everyone need to be on board regarding policies, the staff also plays a huge part in running the facility. She believes it is very important that they get educated on what is expected regarding the safety and security of the kids, the staff and any visitors that go there.

Chair stated it is all about the safety, she called for a motion.

ASSEMBLYMAN SPRINKLE MOVED TO ACCEPT THE REVIEW OF GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN, OCTOBER 2014. THE MOTION WAS SECONDED BY SENATOR KIECKHEFER AND CARRIED UNANIMOUSLY.

Item 5 — Update on Plan for Corrective Action (218G.250)

a. Department of Tourism and Cultural Affairs, Division of Tourism

Mr. Townsend stated at our last meeting in April 2014 an audit report was issued on the Department of Tourism and Cultural Affairs, Division of Tourism. The subcommittee decided to review the 60-day plan for corrective action. The plan of corrective action has been submitted by the Division. He introduced Todd Peterson, Deputy Legislative Auditor, to present the letter.

Mr. Peterson stated the audit contained 10 audit recommendations and per statute the Division submitted its 60-day plan for corrective action on July 23, 2014, and a revised corrective action plan was filed August 27, 2014. The plans of corrective action have been reviewed and for the most part, we agree with the direction taken by the agency. However, there are a few questions regarding three recommendations.

During the audit, it was identified that Tourism's public relations and marketing contract lacks specific measurable deliverables for some items and did not tie payments to the acceptance of those deliverables. Specifically the contract did not include actual deliverable requirements for its website or mobile application. The contract's terms included vague language regarding the deliverables and did not give requirements and terms for acceptance of the deliverables.

Regarding recommendation six in the audit, Tourism rejected this recommendation in its response to the audit report. However, in the April 28, 2014, Audit Subcommittee meeting it indicated it would work on the recommendation. According to Tourism's corrective action plans, it will work with the Attorney General's Office to develop contracts. Although working with the Attorney General's office will be valuable, Tourism will need to develop policies and procedure to help it identify and develop specifications and timelines for inclusion in future contracts.

This past Friday some policies and procedures were received from the Division related to contracting. We have reviewed them and the agency appears to be making an effort to comply with this recommendation. However, we do have a question:

Does the Agency plan to develop written policies and procedures that will ensure future contracts include specific deliverable requirements and when possible tie payments to the deliverables?

Claudia Vecchio, Director, Department of Tourism and Cultural Affairs, replied yes the Division is moving forward with all updated contracts. The Division is working with the Attorney General's Office and with each of the vendors to ensure it has appropriate deliverables for the contracts tied to the payment of the contract. The Department has just worked through a contract with its cooperative marketing vendor and tied

deliverables to that contract. Soon the Division will be developing a new contract with an integrative marketing agency and will tie deliverables to that contract.

Ms. Vecchio further stated that she just wants to be sure in the case of marketing, the Division is provided with maximum flexibility to be able to change and revise the deliverables based on what is most salient and needed in the marketing environment. The Division is always on top of the social and traditional media, so the deliverables are not so specific that there is no flexibility provided. But the Division can do a better job of including deliverables such as dates that specific items need to be provided to us throughout the year. The Division will work in accordance with policy to make sure that happens.

Mr. Peterson stated regarding recommendation 9 in the report, on ensuring requirements for the timely submission and review of invoices are included in contracts and agency policies and procedures, the agency's corrective action plan addressed one component of the recommendation, procedures for the timely processing of received invoices. But as reported in the report, invoices were not always submitted timely by one of Tourism's vendors. Therefore, the second question:

Does the agency plan to develop written policies and procedures to ensure future contracts require the timely submission of contractor invoices?

Ms. Vecchio replied yes, the invoice requirement for the contracts vary from contract to contract. Some of the vendors submit invoices quarterly and others submit on a monthly basis, which changes the uniform timeliness of those invoices. The Division is working to ensure that those invoices are provided in the time that is outlined in the contract, but also that the invoices are paid in the timelines required by state statute. A new processing method is in effect, which has been incorporated for this very reason, which requires a number of different approvals, reviews, and detailed date sequencing. Sometimes, the Division is tripped up a little bit by having to go back to the vendor with questions if it disagrees with something in the invoice. The Division does note if there is a diversion from the 30-days, it is not the reason for the delay.

Assemblyman Sprinkle asked if payments are being made without invoices first received. Unless an invoice is received the repercussion would be to not make a payment.

Ms. Vecchio replied we would not make a payment without receiving an invoice. She introduced David Peterson, Finance and Operations Manager, and stated he has shown her contract laws and other ways for monitoring the receipt of invoices. Unless an invoice is received and carefully reviewed, and meets all deliverables, it is not paid.

Mr. Todd Peterson asked that the agency continue to work with staff regarding its handling of cash receipts at the Nevada Magazine before finalizing the policies and procedures in this area. They have developed some policies and procedures. There are a few concerns but auditors will continue to work with the Division.

Ms. Vecchio stated thank you. When this process started it was a challenge for marketers and people who are working entirely in a creative environment, but the

Division has been given a chance to get organizational balance. The Division looks forward to its six-month report time to show how it can balance organizational and operational needs with world-class marketing and its goal is to continue to do both better than any other agency on this planet.

Chair Carlton stated she was glad that no action needs to be taken.

Item 6. — *Follow-up on Six-month report from a prior meeting (NRS 2018G.270)*

a. Department of Administration, Division of Enterprise Information Technology Services

Mr. Townsend stated we have just gone through the first step of the follow-up process, the 60-day plan and the second step is the six-month report. The Department of Administration through its Division of Internal Audits provides a six-month report. We did not have any at this meeting but it is a common element of other meetings. Sometimes those six-month reports have recommendations that are still not implemented and requires an agency to return to a future meeting and sometimes a couple of future meetings. This report of the Department of Administration, Division of Enterprise Information Technology Services was issued in February 2012. Since that time there has been a legislative session and some assistance was provided to the agency. We have a letter to close out the process. Doug Peterson, Information Systems Audit Supervisor, will be making the presentation.

Mr. Peterson stated there were 15 recommendations in the audit of February 2012. In October 2012, the Department of Administration's 6-month report indicated that 11 recommendations were fully implemented and 4 were partially implemented. In December 2012, those four recommendations were still partially implemented. By November 2013 through some work they had done, the auditors concluded that two of the remaining recommendations were fully implemented and 2 still partially. At the audit subcommittee meeting in January 2014, the Division testified that both recommendations would be done by June of 2014.

The recommendations had to do with updating the State's primary computing facilities contingency plan and to develop a plan to test the State's primary computing facilities information technology emergency plans. The Division has made some progress on both of those recommendations.

In September auditors met with the Division officials to determine the status of these two partially implemented recommendations and through discussions and document review it has been determined that those two recommendations have been fully implemented therefore we have no questions for the agency.

Chair Carlton asked if the agency had any statements.

Chris Epton, Chief Information Security Officer, stated he agrees with the findings, the Division is on its way. This is a process as we develop new systems. There are always

new requirements and often, competing requirements based upon the federal government's and other initiatives taken on by the State. He is pleased that the Division is at a point where it has completed the audit process. However, the process of disaster recovery and all the other findings is an ongoing challenge and we are committed to continue that process going forward.

Mr. Peterson stated these recommendations deal with securing data, hardware, and software, which are critical steps. We can go along with our head in the sand, say nothing has happened yet and be content or we can prepare for the future, which is the intent of these two recommendations. These are accepted standards out in the industry for securing hardware and software and providing for the future.

Item 7 — Public Comment

Chair Carlton called for public comment. There was none.

Chair Carlton adjourned the meeting at 3:17 p.m.

Respectfully submitted,

Deborah Anderson, Audit Secretary

Assemblywoman Maggie Carlton
Chair of the Audit Subcommittee
of the Legislative Commission

Paul V. Townsend, Legislative Auditor
and Secretary to the Audit Subcommittee
of the Legislative Commission