



# Audit Highlights

Highlights of Legislative Auditor report on the Financial Institutions Division, issued on February 13, 2001. Report # LA02-02.

## Purpose of Audit

The purpose of this audit was to evaluate the Division's financial management practices. The audit included a review of the Division's financial activities for the year ended June 30, 2000.

## Audit Recommendations

This report contained five recommendations to improve the Division's financial management practices. First, the Division should record revenues and expenditures to the appropriate account. In addition, the Division should deposit money timely and deposit money received in the Las Vegas office at a local bank. Finally, to reduce the risk of errors occurring and not being detected, the Division should separate key accounting duties among individuals and review employees' work.

The Division accepted all five recommendations.

## Status of Recommendations

The Department of Administration submitted the six-month report on the status of audit recommendations on November 7, 2001. The report indicated progress has been made on all recommendations.

The Department indicated the Division has transferred revenues and expenditures to the appropriate accounts to correct errors identified during the audit, and has accounting procedures to ensure proper recording of revenues and expenditures. In addition, the Department's report indicated that deposits are being made timely.

Furthermore, the Division indicated that it was evaluating whether to continue accepting payments in Las Vegas. Finally, the Division indicated it has separated accounting duties and reviewed employees' work to the extent it can. However, it will be unable to fully implement these recommendations until it hires additional staff.

# Financial Institutions Division

## Department of Business and Industry

## Results in Brief

The Division's financial management practices need improvement. Revenues and expenditures were not always recorded to the proper account. For example, fines totaling \$180,000 were not deposited to the state General Fund as required by law. Other revenues and expenditures were also incorrectly recorded which caused errors in the amounts assessed against banks and other depository institutions. We also noted problems with the collection of money, including delays in depositing money. Finally, the Division has not adequately separated duties or reviewed employees' work, which contributed to some of the problems noted in the report.

## Principal Findings

The Division incorrectly deposited fines to its investigative account instead of the state General Fund. The Division collected about \$180,000 in fines during fiscal years 1999, 2000, and the first two months of fiscal year 2001. All fines collected during this time were deposited to the wrong account.

The Division recorded expenditures to the investigative account that were not related to investigations. Eighteen of the 24 expenditures that we tested from the investigative account for fiscal year 2000 should have been recorded to the Division's operating account. If the expenditures had been recorded in the operating account, they would have been included in the amount assessed against depository institutions. As a result, the Division under assessed banks and other depository institutions by \$10,500 in fiscal year 2000.

Over half (13 of 22) of the checks greater than \$10,000 received by the Division in fiscal year 2000 were not deposited timely. The longest delay was 8 days and the average delay was 5 days. Audit reports issued in 1982 and 1986 also noted the Division was not depositing money timely.

The Division has not adequately separated duties related to revenues and expenditures since one employee performs all of the key duties. In addition, there is minimal review of the work performed by the employee. As a result, billing errors were not detected which resulted in the Division overcharging depository institutions about \$30,000 in the last 2 fiscal years.