



# Audit Highlights

Highlights of Legislative Auditor report on the Division of State Lands, issued on December 4, 2003. Report #LA04-08.

## Background

The Division of State Lands holds title to all state lands, except land owned by the Nevada Legislature, the University System, and the Department of Transportation. The Division includes the State Land Office which maintains copies of all land records and provides assistance regarding all state agency lands. All leases, easements, and interests in state lands are issued through the Office. In addition the Division provides technical planning assistance to local governments and other agencies through its State Land Use Planning Office. During fiscal year 2002, the Division received \$1,064,072 in state appropriations and had 19 employees in Carson City.

## Purpose of Audit

The purpose of our audit was to evaluate the Division of State Lands' financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, policies, and procedures. Our audit included the Division's financial activities for fiscal year 2002, and activities through May 2003 for certain audit issues.

## Audit Recommendations

This report contains eight recommendations to improve the Division's financial and administrative practices. Four recommendations are related to improving collection of lease and easement fees, and ensuring adequate controls over payments received. In addition, the Division should review and revise procedures to eliminate unnecessary work, provide supervision over the internal control review process, follow agency procedures when conducting the fixed asset inventory, and conduct personnel evaluations timely.

The Division of State Lands accepted all eight recommendations.

## Status of Recommendations

The Division's 60-day plan for corrective action is due on March 4, 2004. In addition, the six-month report on the status of audit recommendations is due on September 6, 2004.

# Division of State Lands

## Department of Conservation and Natural Resources

### Results in Brief

The Division of State Lands needs to improve its financial and administrative practices in several areas. The Division does not have adequate controls to ensure all fees are collected, payments are safeguarded, and revenues are properly accounted for. In addition, revisions to the process for recording revenues would improve efficiency. Furthermore, the Division does not have an effective process for reviewing its system of internal control. Therefore, weaknesses related to collecting and recording revenues, updating fixed asset inventory records, and performing employee evaluations have not been corrected timely.

### Principal Findings

Billing problems contributed to \$17,539 in uncollected fees for leases and easements of state land. From our review of the Division's contract files and computer reports, we identified 25 contracts with uncollected fees as of March 26, 2003. For most uncollected fees, staff had not sent a bill requesting payment even though amounts were several months past due. For example, fees for 15 contracts were more than 9 months past due, including 5 fees exceeding 1 year. After we inquired about the uncollected fees, the Division prepared billing requests in April and May 2003.

The Division has not established adequate controls over payments received. Control weaknesses include: (1) inadequate safeguarding of payments, (2) separation of accounting duties, (3) inadequate records for payments received, and (4) collections not compared to deposits. Controls in this area are important because the Division collected and deposited more than \$600,000 during fiscal year 2002. This amount includes sales of state land, navigable water permits, lease and easement contracts, and publication sales. Without proper safeguards in place, loss could occur and go undetected.

The Division can increase its efficiency by revising its process for recording revenues. Staff recorded each payment several more times than necessary. During fiscal year 2002, the Division processed about 500 payments. However, each payment was recorded eight times. In addition, receipt forms were mailed to all payers who remitted their fees by mail. By reviewing and revising procedures, work that does not improve internal controls can be eliminated.

The Division does not have an effective process to ensure its system of internal control is working as intended. Staff did not complete an internal control review for calendar years 2001 and 2002, as required by the Division's procedures. In addition, NRS 353A.025 requires state agencies to periodically review their system of internal control and submit a report to the Department of Administration each biennium. In June 2002, the Division reported there were no weaknesses in its system of internal control. However, we identified several areas where control weaknesses existed. For example, two computers, with a total cost of \$4,561, were missing for several years and not reported to the Purchasing Division as required. Furthermore, 8 of 14 employees did not receive their required performance evaluation during fiscal year 2002.