

Audit Highlights



Highlights of performance audit report on the Nevada State Athletic Commission issued on April 28, 2014. Report # LA14-17.

Background

The Nevada State Athletic Commission administers and enforces state laws and regulations pertaining to unarmed combat for the protection of the public and to ensure the health and safety of the contestants. The Commission's mission is to regulate all unarmed combat contests or exhibitions. Generally, unarmed combat includes boxing, kickboxing and mixed martial arts. The Commission was established in 1941 and became part of the Department of Business and Industry in 1993.

The Commission consists of five members appointed by the Governor, an executive director, and four staff. The Commission maintains one office in Las Vegas. In fiscal year 2013, the Commission regulated 110 events, issued 1,957 licenses, and collected \$4,083,797 in permit and license fees which were deposited directly into the General Fund. During the same time, the Commission expended approximately \$595,000.

Purpose of Audit

The purpose of the audit was to evaluate: (1) financial and administrative practices in place to carry out applicable laws and regulations, (2) information security controls to protect the confidentiality, integrity, and availability of sensitive information and information systems, and (3) performance measures, including reliability of reported results. Our audit focused on management controls during fiscal years 2010 – 2014, and included a review of money received from promoters for licenses issued or renewed since calendar year 2003. The audit also focused on performance measures and reported results for fiscal year 2012.

Audit Recommendations

This audit report contains 11 recommendations to improve: (1) financial and administrative practices and to ensure money received from promoters is deposited in accordance with statutes, (2) the protection of sensitive information, and (3) oversight for the reliability of performance measures used in the state's budget process.

The Commission accepted the 11 recommendations.

Recommendation Status

The Commission's 60-day plan for corrective action is due on July 23, 2014. In addition, the six-month report on the status of audit recommendations is due on January 23, 2015.

Nevada State Athletic Commission

Department of Business and Industry

Summary

The Nevada State Athletic Commission can make improvements to its financial and administrative practices regarding license fees and deposits of money. The Commission did not always calculate license fees correctly and did not incorporate all complimentary tickets issued when preparing its calculation. Also, the Commission did not deposit money received from promoters with the State Treasurer as required by statute. Instead, the money was deposited in an outside bank account. Furthermore, there is no record the Commission received approval from the State Board of Finance to open an outside bank account to deposit money received from promoters.

The Commission needs to better protect sensitive information. We found the server used for file storage was not physically secured, as required by state security standards. In addition, we found unencrypted personal identifying information (PII) was accessible through the server.

The Commission can take steps to strengthen its oversight for the reliability of performance measures used in the state's budget process. Some measures used in the budget process for fiscal year 2012 were not adequately supported by underlying records and the reported result for one measure was inaccurate.

Key Findings

The Commission did not calculate license fees for closed-circuit telecast events in accordance with statute. For 7 of 12 closed-circuit telecast events reviewed, we found the Commission calculated fees at a rate of 6 cents for each \$1 received for admission instead of 4 cents. The Commission's incorrect calculation of license fees resulted in the collection of overpayments totaling over \$55,000. In addition, the Commission has not documented procedures to ensure fees are collected accurately and timely. (page 3)

The Commission did not deposit money received with the State Treasurer, as required by statute. The Commission received this money from applicants prior to issuing a promoter license to hold an unarmed combat event. Money the Commission receives from applicants may be used to satisfy any obligation incurred by the promoter during a contest or exhibition. All money the Commission receives from applicants, to satisfy any obligation incurred by the promoter, must be deposited in the Athletic Commission's Agency Account. However, the Commission deposited money received with an outside bank account. In addition, there is no record of approval from the State Board of Finance allowing the Commission to deposit money in an outside bank. (page 6)

The Commission's file server was not adequately secured. Specifically, the server was stored on a desk in an open area of the Commission's office. During our audit we observed individuals from the public enter and pass the open area in the Commission's office where the server is located. In addition, files containing unencrypted personal identifying information (PII) were accessible through the Commission's file server. We identified several files containing approximately 1,000 social security numbers and names of state employees, including personnel reports. (page 9)

Reported results for five performance measures were not adequately supported by underlying records. The Commission's records to support results were either not available to verify calculation of a performance measure or data was not tracked. In addition, the reported result for the measurement of fees collected timely was not accurate. (page 11)