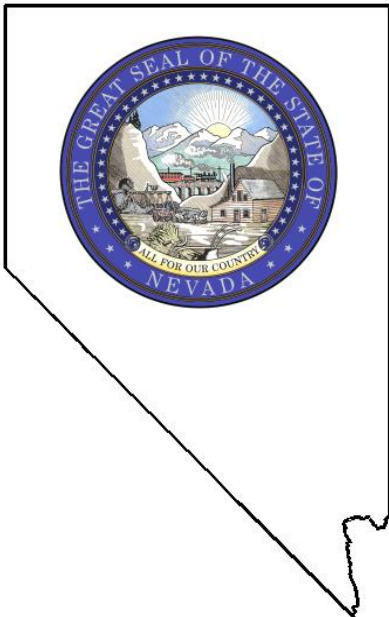


STATE OF NEVADA

Biennial Report of the Legislative Auditor



December 31, 2018
Carson City, Nevada

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December 27, 2018

Members of the Nevada Legislature:

I am pleased to report on the activities of the Audit Division for the biennium ended December 31, 2018. This report includes a comprehensive summary of audits issued during the biennium and also a brief overview of the Audit Division.

The Audit Division is committed to providing high quality audit reports based on independent, objective evaluations conducted in accordance with professional auditing standards. I am especially hopeful the findings and recommendations contained in our reports will assist the Legislature, the Governor, and agency heads in providing efficient and effective government services.

We gratefully acknowledge the cooperation and assistance of the members of the Legislative Commission, the Audit Subcommittee, the Interim Finance Committee, the Governor's Finance Office, and others with whom we have worked. They made it possible for us to conduct our audits and prepare accurate and constructive reports.

Our purpose is to serve the Legislature and the citizens of Nevada. Your suggestions as to how we may continue to improve our services will always be welcomed.

For more information about Legislative Auditor reports go to: www.leg.state.nv.us/audit.

Respectfully,

A handwritten signature in black ink, appearing to read "Rocky Cooper".

Rocky Cooper, CPA
Legislative Auditor

cc: The Honorable Brian Sandoval, Governor of Nevada

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INTRODUCTION

The mission of the Audit Division is to improve accountability and the effectiveness of state government. This is accomplished by providing members of the Legislature with factual information concerning the operations of state agencies, programs, activities, and functions; working with state agencies to identify opportunities to improve accountability, reduce waste, and enhance program effectiveness; and recommending to the Legislature the amendment of existing laws or the enactment of new laws designed to improve the functioning of state agencies.

The key to improving any organization is an objective assessment of the performance of that organization. That is the type of assessment provided by legislative audits of state agencies. These audits, which are conducted in accordance with rigorous professional standards, provide an independent and unbiased evaluation of government operations. Performed by experienced staff who are familiar with the intricacies of government operations, the audits include specific recommendations for improvement.

TYPES OF AUDITS CONDUCTED

The Division conducts performance audits on certain agencies and programs. Performance audits address the operational efficiency and effectiveness of programs in relation to their intended goals and objectives, sufficiency of internal controls, and compliance with laws and regulations. These audits provide important insight into agencies, especially in times of limited resources and increasing demands for public service. Historically, the Division conducted financial audits of state agencies.

The scope of the audits for the upcoming biennium will vary depending upon the nature and purpose of the agency. As in the past, the integrity of fiscal affairs will receive substantial consideration in the planning phase of each audit. Increased audit emphasis will be placed on providing an independent assessment of the performance of an agency, program, activity, or function. This will be done in order to provide information to improve public accountability and facilitate decision-making by the Legislature or those responsible for initiating corrective action. This may include determining if an agency is operating in an economical and efficient manner, or determining the extent to which a program achieves a desired level of results.

The Legislative Commission approves the biennial audit program of the Legislative Auditor and may direct him to make any special audit or investigation considered necessary. The Legislature may also direct the Legislative Auditor to conduct special audits or investigations through legislation.

REPORTING AUDIT RESULTS

The findings and recommendations of the Audit Division are published in formal reports which include constructive suggestions for change. Since the purpose of an audit is to improve government operations, state agency officials are given the opportunity to

respond to a draft report to ensure findings are accurate and conclusions are appropriate. The comments of these officials are carefully considered in preparing the final audit report. Audit reports are presented to the Legislative Commission or the Audit Subcommittee of the Legislative Commission at public meetings. However, if the Legislature is in session and the Chairman of the Audit Subcommittee does not call a meeting within five days after being notified that an audit report is ready for presentation, the report is issued. After presentation, copies of the reports are made available to each member of the Legislature, state officials, and the public.

BENEFITS OF LEGISLATIVE AUDITS

The benefits of the Audit Division's work can be measured in a number of ways. First, our audits save taxpayer dollars by identifying waste and inefficiencies and by finding ways to enhance state revenues and other resources. Second, legislative audits identify ways to improve program performance and effectiveness. Third, our audits ensure internal control systems are suitably designed to protect public resources. Fourth, we determine whether state agencies and programs are operating in accordance with laws and regulations. Fifth, our audits ensure public officials are held accountable. Finally, legislative audits assess risks of fraud and report significant illegal transactions to government officials.

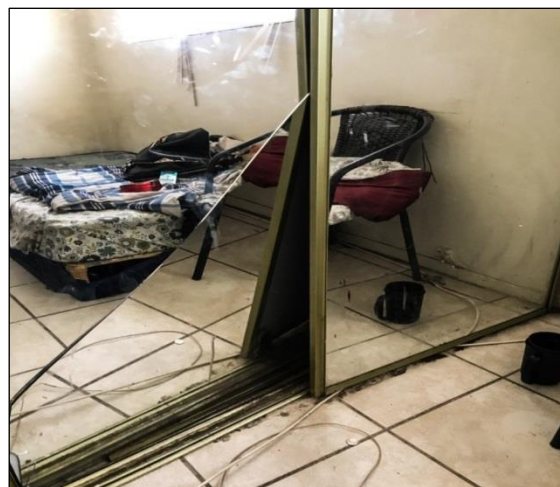
MILLIONS OF TAXPAYER DOLLARS HAVE BEEN SAVED

Legislative audits have contributed significantly over the years to saving millions of dollars for Nevada's taxpayers. In the past two years alone, measurable financial benefits of more than \$44 million have been realized by implementing our recommendations. In many cases, these benefits are based upon work we did in past years, because it often takes agencies time to implement our recommendations or because the financial benefits of the recommended course of action were felt over more than one biennium. For instance, based upon a prior audit we estimate the Division of Health Care Financing and Policy realized savings of over \$13 million by recovering Medicaid claims overpayments and controlling costs related to medical services. During the current biennium, the Department of Education audit resulted in the return of over \$6 million in unused class-size reduction funds from the Clark County School District to the State. Additionally, we estimated the audit of the Aging and Disability Services Division realized savings of about \$9.7 million from increasing controls over the costs relating to supported living arrangement and jobs and day training services.

IMPROVED PROGRAMS TO BETTER SERVE NEVADANS

Our work has led to improvements in programs to better serve Nevadans. By increasing program effectiveness, improved levels of service can be provided thus ensuring Nevada's citizens and visitors get the most for their money. For example, our audit of the Division of Public and Behavioral Health, Adult Mental Health Services found adults in need of mental health care live in dismal conditions at many community-based living arrangement provider homes. During our inspections, we identified serious, deficient

conditions prevalent at most of the homes. This included unsanitary and unsafe conditions, and poor medication management practices. In addition, we identified numerous conditions that could negatively affect the quality of life for mentally ill clients. The following pictures are examples of bleak living conditions and safety hazards observed.



Source: Auditor observations at select CBLA homes (LA18-13).

We also identified control improvements related to the protection of personally identifiable information and sensitive health information at the Hearings Division and the Victims of Crime Program. Improvements regarding the oversight of fuel card use was also identified at the Investigation Division and the Division of State Parks. Additionally, the Bureau of Safe Drinking Water did not always inspect water quality testing laboratories timely and follow up on inspection deficiencies for some small water facilities. Furthermore, we found that the Department of Taxation and the Records, Communications and Compliance Division need to strengthen information system controls to ensure adequate protection of information systems and the data processed therein. By taking action to address control weaknesses, these agencies can better protect its physical resources, minimize security vulnerabilities, and ensure continuation of mission-critical services.

In addition, recommendations made in our prior audits of the Taxicab Authority and Attorney General could result in financial benefits to Nevadans and the public of over \$33 million. Recommendations to improve oversight of the taxicab industry are estimated to provide savings to the public of about \$33 million per biennium, as improved oversight will help deter long hauling practices. Furthermore, the audit of the Attorney General made recommendations to improve controls over the disbursement of restitution funds. As a result of the recommendations, about \$53,000 in undisbursed settlement funds were returned to the State and paid to victims of unlawful mortgage practices, or deposited with the Nevada Treasurer's Office of Unclaimed Property for safeguarding and potential future payments.

FOCUS IS ON IMPROVING ACCOUNTABILITY

Although not directly measurable in terms of dollar savings, improved public accountability and management controls pay dividends by ensuring assets are properly safeguarded against waste, loss, and misuse; laws and regulations are followed; appropriate goals and objectives are met; and reliable data are obtained, maintained, and fairly disclosed. Over the past two years, our audit work continued to focus on improving the accountability of Nevada State Government. Legislators, public officials, and citizens want and need to know whether the state's funds are handled properly and in compliance with laws and regulations. They also have an interest in knowing whether state agencies and programs are achieving their purposes and whether these agencies and programs are operating economically and efficiently. This need for accountability has created a demand for more information about state government. To realize government accountability, legislators, program managers, and citizens must have credible, objective, and reliable information to assess the integrity, performance, and stewardship of the government's activities.

IDENTIFICATION OF FRAUD

Legislative audits are required by generally accepted government auditing standards to assess risks of fraud that could significantly affect the audit. The assessment includes discussions among audit team members and inquiries of agency officials. Audit procedures are designed to obtain reasonable assurance of detecting fraud. If information comes to our attention indicating that fraud may have occurred, we evaluate the impact on the audit and report significant illegal transactions to the Governor, each member of the Legislature, and the Attorney General, in accordance with NRS 218G.140.

During the biennium, we reported three instances of potential fraud. Our audits of adult mental health services provided by the Division of Public and Behavioral Health (DPBH) and the Aging and Disability Services Division of the Department of Health and Human Services (DHHS) identified some providers overbilled the Divisions for services. Some of the overbilling problems may be the result of provider fraud, while others may be unintentional errors. Based on a sample of payments tested for DPBH, we estimate the Division overpaid providers over \$1.5 million dollars in fiscal year 2017. Based on a sample of payments tested for DHHS, we estimate the Division overpaid providers more than \$3.5 million dollars in calendar year 2015. As required by NRS 218G.140(2), we reported this information to the Governor, each Legislator, and the Attorney General. Additionally, our review of the Board of Examiners for Marriage and Family Therapists and Clinical Professional Counselors' fiscal year 2017 financial statements identified that the Board reported a former employee took unauthorized disbursements. The Board recognized a theft loss of \$5,097 that was not repaid and is working with the Office of the Attorney General to determine whether to pursue criminal charges. As of December 2018, no determination has been reached.

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2017 – 2018 BIENNIUM IN REVIEW

AUDIT HIGHLIGHTS

Over the biennium the Audit Division issued 32 audit and other reports relating to the operations of state government and other governmental agencies. Many audits completed during the biennium contributed to legislative and executive branch actions resulting in significant benefits to state government and Nevada citizens. Benefits directly attributable to or notably influenced by the audit work include elimination of waste, increased collection of revenues, and more effective government programs. While it is not the sole purpose of audits to identify ways to save money or increase revenues, many audit recommendations did, in fact, have a cost-savings impact. Consequently, we have worked closely with agency management to provide constructive recommendations which should, if properly implemented, save millions of dollars.

The following summarizes the results of the audits and reports issued in the 2017 – 2018 Biennium. The full text of each report and audit highlights including the significant findings can be found at: www.leg.state.nv.us/audit.

AUDIT REQUESTED BY LEGISLATIVE COMMISSION

HORSE POWER, SPECIAL LICENSE PLATE

Horse Power spends almost all of its special license plate funds to operate an equine rescue facility in Northern Nevada, leaving little funding left over to aid others who care for equine. The organization can take steps to reduce costs for this facility by purchasing feed at lower costs and by actively seeking to adopt out animals. Since Horse Power currently supports over 40 animals, reductions in feed costs and herd size can generate significant savings to serve more equine in the State through grant activities. Furthermore, the Horse Power Board has not provided effective oversight to ensure proper practices of financial administration. For example, the business purpose for fuel purchases was not documented, the Board did not follow its methods and procedures for monitoring debit card transactions, budgets did not contain sufficient details to oversee activities, and receipts were not provided for many expenditures.

Grant funding to organizations and individuals who care for equine has sharply declined in recent years as Horse Power has increasingly spent funding on the support of a rescue facility operated by the Executive Director. Because funding has been redirected to support more equine at the facility, it is questionable if Horse Power is meeting the original intent of establishing a philanthropic program to financially aid others who care for equine, as was approved by the Commission on Special License Plates in 2006. Furthermore, grant application and award processes are not sufficient to ensure opportunities are reaching potential grantees and applicants are treated fairly and consistently.

- Horse Power could have reduced feed costs by an estimate \$5,000 for fiscal year 2016 simply by purchasing from other businesses who offered similar products at

lower prices. Moreover, Horse Power can save significantly more if it considered purchasing feed in bulk quantities. Buying in bulk would reduce the frequency of delivery and could have saved between \$14,000 and \$24,000 in 2016 depending on the type of hay purchased.

- Horse Power did not have an effective adoption program to provide for an ongoing reduction in the size of the herd. Based on discussions with the Executive Director and a review of ownership documentation, the organization did not adopt out any horses to individuals during fiscal years 2015 and 2016.
- Horse Power did not provide any ownership records of equine at its facility even though we requested this information on multiple occasions. Therefore, we obtained available records from the Nevada Department of Agriculture. We found Horse Power has more equine at its facility than Nevada Department of Agriculture records reflect.
- The Executive Director did not document the business necessity of travel expenses when using a personal vehicle; therefore, the appropriateness of vehicle expenses could not be determined. For fiscal years 2015 and 2016, over \$5,400 in fuel and vehicle expenses was paid for by the Executive Director with a Horse Power debit card. Of this amount, \$4,400 was paid for fuel and \$1,000 was vehicle repairs. Documentation to support the business use of a personal vehicle is required by the Internal Revenue Service.
- Transactions made with a debit card were not monitored or approved by the Board as required in its methods and procedures. Debit card purchases are linked to Horse Power's bank account designated for operating expenses, and more than \$130,000 was paid by this method during fiscal years 2015 and 2016. Therefore, monitoring and approving these transactions is essential to ensuring expenditures are appropriate.
- Budgetary data submitted to the Board for review and approval is not sufficiently detailed to monitor and oversee the activities of the organization. The budget included a few percentages and no amounts. Additionally, the Board does not routinely receive and review periodic financial comparisons of budget to actual information.
- As Horse Power's revenues from the sale and renewal of special license plates has increased, the amount of money awarded to others has declined significantly. Specifically, grant expenditures have declined over 90% from a high of \$56,303 in calendar year 2009 to only \$4,825 in 2015.
- Horse Power's grant awarding process needs improvement to ensure fair and consistent treatment of applicants. For instance, the application process limits the number of applicants because: 1) publication of funding opportunities is limited, 2) application requirements are burdensome, and 3) timeframes to submit applications are short. Furthermore, the Board does not have adequate policies and procedures detailing the process, including types of funding awarded, review of applications, exceptions, and emergency grant qualifications.

AUDIT REQUIRED THROUGH LEGISLATION

DEPARTMENT OF EDUCATION

USE OF CLASS-SIZE REDUCTION FUNDS BY SCHOOL DISTRICTS

Class-Size Reduction (CSR) funds expended by school districts for fiscal years 2014 and 2015 were appropriately used to pay for the costs of CSR-grade teachers. CSR funds allowed many districts to meet, or come relatively close to meeting, target pupil-to-teacher ratios for each CSR grade on a districtwide basis. Nevertheless, to improve accountability of CSR funds, the Department of Education (Department) needs to better monitor ratios on a districtwide basis to help ensure target class-size ratios are met in the future. In addition, we discovered that the Department did not identify more than \$6 million of unused Kindergarten CSR funds, or ensure that those funds were returned to the State when the time for using them had passed.

We found that school districts used the portion of CSR funds permitted to be spent on teachers for grades 4 to 12 (“Plus 2” savings) as intended by the Legislature. Plus 2 savings, generated by increasing class sizes by 2 pupils in grades 1 through 3, were authorized to minimize the impact of budget reductions on class sizes in the upper grades. Although the school districts that chose to utilize Plus 2 funds for such purposes did not submit quarterly reports on class sizes for grades 4 to 12, as required by law, we used other information to obtain assurance that the savings were used as intended. Nevertheless, the Department should have ensured school districts reported class-size information for the upper grades. Without that type of information, the Department could not monitor that the districts used Plus 2 savings to meet the program objectives.

- Our tests support that amounts expended by the districts from their CSR funds for fiscal years 2014 and 2015 were used for the salaries and benefits of CSR-grade teachers. Furthermore, most districts met target class-size ratios for many grades, or came relatively close to meeting them, on a districtwide basis. Specifically, districts met target ratios in about 70% of grades in fiscal years 2014 and 2015. Another 20% of grades came relatively close to target ratios, based on our analysis. We analyzed districtwide ratios because that is the basis used by the State to determine the amount of CSR funds provided to districts.
- The Department needs to improve its monitoring of class-size ratios, by grade, on a districtwide basis. Since reporting requirements changed in 2013 from a districtwide basis to a school-level basis, the Department’s focus has been on monitoring school-level ratios. Although monitoring ratios at the school-level is important, districtwide ratios remain important. Monitoring districtwide ratios, by grade, provides assurance to State and local decision-makers that districts are spending enough funds on teachers to achieve target ratios. For districts not meeting target ratios on a districtwide basis, the Department should request a plan of what efforts will be made to meet ratios in the future, and monitor progress toward target ratios.
- Clark County School District did not return to the State approximately \$6.1 million of unused Kindergarten CSR funds received during the 2013-2015 biennium, as

required by law. District personnel cited an inability to hire enough teachers and problems setting up enough classrooms as the reasons why funds were not spent. Due to an inadequate review of districts' annual reports of expenditures, the Department did not detect the unused funds.

- Quarterly reports filed by the districts did not include upper grade pupil-to-teacher ratios (grades 4 to 12) as required under the Plus 2 legislation. The reports were a key part of the accountability the Legislature intended over the use of Plus 2 savings. The Department did not ensure that districts provided this information.
- Our analyses of various data indicated Plus 2 savings were used by school districts as intended by the Legislature. This included analyses showing: (1) minimal or no increases in upper grade class sizes, and (2) increases in instructional expenses while districts' revenues were flat or declining. These analyses provide assurance that Plus 2 savings were spent to minimize the impact of budget reductions on class sizes in upper grades, as required by education funding legislation.

AGENCY AUDITS

DEPARTMENT OF ADMINISTRATION

HEARINGS DIVISION

The Division's controls related to the protection of personally identifiable information and sensitive health information need improvement. The Division collects Social Security numbers unnecessarily from applicants for workers compensation employer representative licensure and maintains that information on its hearings management system. Additionally, the Division has not worked with the Department of Administration's Enterprise Information Technology Services (EITS) to review the security of its server.

The Division's controls related to certain financial and administrative practices need strengthening. Specifically, the Division's policies and procedures for performance measures, including data collection, calculation, and supervisory review, are too vague. In addition, there is currently no process to ensure hearings conducted under agreements with some agencies are properly billed and collected. The Division's controls do not ensure that revenues are sufficiently reviewed and reconciled to the state's accounting system. Finally, the Division did not evaluate employee performance as required by state law.

- The Division collects and maintains nonessential personal information in hardcopy format, including Social Security numbers. Furthermore, the Division stored unencrypted Social Security information of 435 workers compensation employer representative licensees on its hearings information management system. This information is accessible to six Division employees who do not need the information to carry out their assigned duties.
- The Division has not adequately protected information in its hearings case management information system. This information is critical for the Division to

meet its mission to provide hearings in a timely and cost-efficient manner. The Division uses its own server for its hearings management system. Although EITS set up and installed the server, Division staff stated the security settings for the server have not been reviewed by EITS. A security review of the Division's server will help reduce the risk of a third-party security breach.

- Due to the Division's lack of supporting records, we could not determine the accuracy of its three performance measures. Furthermore, the Division's policies and procedures are not sufficient and are not followed. In addition, descriptions of the measures in the Executive Budget are not clear or accurate. The Division can provide better information to decision makers by improving its performance measures.
- The Division does not have an adequate process to ensure it bills and collects amounts due for conducting hearings for state agencies. We found problems with 13 of 50 (26%) of the cases tested: 9 cases were not billed and 4 cases totaling \$995 were billed but not collected. These problems occurred because the Division does not have adequate policies and procedures to help ensure all appropriate services are billed and collected.
- The Division's revenue collection practices need improvement. For example, the Division did not deposit revenue timely. Staff deposited 19 of 29 receipts tested an average of 4 days late. Also, management did not reconcile check logs with the state's accounting system on a monthly basis to verify all receipts were deposited and recorded correctly. In addition, the Division does not have procedures regarding revenue collection for the workers compensation representative licensing process, which has led to different practices between the Las Vegas and the Carson City offices.
- The Division did not evaluate employees' performance as required by state law. We examined 32 employee records for evidence of required probationary period evaluations and for evidence of required annual evaluations. In fiscal years 2015 to 2016 there were 69 employee evaluations due, but 56 evaluations were not conducted by the Division. Also, 7 of the 13 evaluations conducted were past due by more than 30 days. Without the required evaluations, management does not have documentation to ensure that promoted employees are fulfilling their new duties satisfactorily, to terminate employees who are not performing adequately, or to acknowledge those employees whose performance exceeds standards.

DEPARTMENT OF ADMINISTRATION

VICTIMS OF CRIME PROGRAM

The Program's controls related to the protection of personally identifiable information and sensitive health information are weak. Documents containing sensitive information were not stored in a secure manner. Additionally, the Program's policies do not address document security until time of shredding. Furthermore, the Program has not reviewed the security of the contractor's server and the contract does not address protecting the server from unauthorized access by outside parties. The documents on the server contain

sensitive information such as victims' personal information, medical records, and Social Security numbers.

Program controls related to certain administrative and financial practices need strengthening. First, the Program's policies and procedures regarding performance measures need improvements to ensure reported results are reliable. In addition, the Program needs to improve its process of recovering funds from victims when appropriate. Finally, the Program's controls related to reconciling revenues and evaluating employee performance can be strengthened.

- Documents containing sensitive information are stored in an insecure manner. Boxes containing victim medical records and various other documents that are waiting to be shred are located in an open area that is accessible by all Program employees and janitorial staff provided by the building owner. These documents contained medical information and applications that include victim name, address, date of birth, crime information, and Social Security numbers.
- The Program's contractor stores victim data on its server at the contractor's office in Las Vegas. According to Program staff, neither the Program nor Enterprise Information Technology Services have reviewed the contractor's server security settings. Additionally, the contract does not address protecting the victims' data from unauthorized access by an outside party. Weak security controls may leave some information unprotected and vulnerable to third party security breaches.
- The Program's controls over collecting information and calculating performance measures do not provide assurance that the performance measures are accurate and reliable. The Program did not retain underlying records to support its reported performance measure numbers. Additionally, staff could not re-create the reports to match the numbers reported to the Department of Administration. In addition, there is no evidence that anyone reviewed the measures to ensure consistency with the budget instructions.
- The Program has not developed adequate policies to help ensure reliable and consistent reporting of performance measures. The Program's policies and procedures do not indicate how measures are calculated, who calculates the measures, how often they are calculated, who reviews the calculations, and to whom the measures are reported. The State Administrative Manual requires agencies to develop written procedures on how performance measures are calculated, including where data are obtained and which reports are used.
- The Program is entitled to and has the right to seek reimbursement from victims for money paid by the Program if victims obtain any recoveries. The Program refers to this reimbursement as a subrogation. However, there is no process in place to track known subrogation opportunities so there is no assurance that all subrogations are paid to the Program. Similar programs in other states we contacted have developed methods to track and recover subrogation funds.
- The Program's revenue collection and tracking processes need improvement. Staff are not adhering to some revenue collection and tracking procedures, such as performing reconciliations. While we did not detect evidence of fraud, the Program

increases the risk that money could be lost or stolen, or errors could go undetected when it does not follow its internal control policies and procedures. The Program receives checks for restitution, subrogation, reimbursements, and donations. In fiscal year 2016, this amounted to \$162,500 in receipts.

- The Program continues to have problems completing timely employee evaluations. In fiscal year 2015 and fiscal year 2016, 16 employee evaluations were due, but only 9 (56%) were conducted by the Program. Furthermore, seven of the nine evaluations conducted were past due by an average of 109 days. One employee's file did not contain any evaluations conducted since 2011.

DEPARTMENT OF BUSINESS AND INDUSTRY

DIVISION OF FINANCIAL INSTITUTIONS

The Division's oversight of non-depository financial institutions effectively ensured regulatory compliance; although, enhancements can be made to strengthen certain processes. The Division adequately administered annual examinations, fees, reports, violations, and complaints. However, inconsistencies in the examination process can be reduced by maintaining better documentation, improving the accuracy of reporting, and enhancing underlying policies and procedures. Additionally, the follow-up process on licensees with less-than-satisfactory examinations needs to be formalized in policies and procedures. The Division can also improve visibility into its ability to accomplish its mission by reporting an outcome-based performance measure detailing the results of examinations. Furthermore, the Division would benefit from a centralized tracking system for payday loans. These enhancements will help protect consumers and promote public interest in non-depository institutions.

- The Division has adequately administered state laws and regulations concerning non-depository licensees. The Division completed required annual examinations, ensured licensees submit required fees and reports timely, and took prompt action regarding examination violations and consumer complaints.
- The Division could improve its documentation of the work performed during an examination. Documentation generally lacked a statement showing the population and sample selection methodology for licensee loans and check cashing transactions reviewed. Additionally, examination periods varied and often did not cover the entire period since the licensee's last examination, as management indicated is a Division practice.
- Examination reports did not always accurately reflect the scope of work performed. Our testing found instances where the standard language in the Division's report template was not revised to reflect the actual work performed. In addition, 19% of the examination reports reviewed, which stated the loan population and sample size, were inaccurate and did not agree with the reviewed loans documented in the examination workpapers.
- The Division needs to enhance its written policies and procedures over its examination process. Clearly defined policies and procedures provide a framework

for conducting consistent and efficient work, while communicating approved processes and expectations to examination staff.

- The Division needs to formalize in policies and procedures the follow-up process for licensees receiving a less-than-satisfactory examination. The Division considers licensees' violation response letters and other factors when deciding whether its staff will conduct a follow-up examination to verify corrective actions were properly implemented. Considering approximately 33% of licensed payday lenders received a less-than-satisfactory examination rating annually over the last 5 years, performing adequate follow-up on licensees with noted violations of state laws and regulations is important for ensuring consumers are adequately protected against unfair or unlawful financial practices. Furthermore, documenting this process is important because licensees receiving less-than-satisfactory examinations should receive close regulatory supervision due to their increased risk of non-compliance.
- The Division can improve its performance measures by reporting an outcome-based measure detailing the results of examinations to the Legislature. Over the last 5 years, on average only 67% of licensees providing loan and check cashing services were in satisfactory compliance with state laws and regulations based on the Division's examinations. Current performance measures provide examination output and workload statistics, but do not show the impact examinations are having on licensees' overall compliance with state laws and regulations.
- A centralized tracking system for payday loans can be of significant value to the Division, its licensees, and Legislators. A database would assist licensees with managing loans and determining loan eligibility. It would also help licensees comply with state payday lending laws and help consumers avoid becoming overloaded with debt. Additionally, it would help the Division identify irregular lender activity and serve as an information system for staff preparing for an examination. A centralized tracking system would provide regulatory oversight and collect statistical information on licensees providing loan services.

DEPARTMENT OF BUSINESS AND INDUSTRY

DIVISION OF INDUSTRIAL RELATIONS

The Division of Industrial Relations (Division) does not have adequate processes over regulatory activities for elevators and boilers. Specifically, about 5,500 elevators and boilers were operating without required certificates as of June 30, 2017. Operating certificates are issued after a thorough inspection process and verify the elevator or boiler is meeting standards that promote safety. Since operating certificates were not issued, sometimes for multiple inspection cycles, the Division did not collect an estimated \$1.4 million in fees over the course of several years. Operating certificates were not issued partly because code violations noted during inspections were not monitored or cleared. In certain instances, serious violations existed for years before follow-up occurred. In an effort to reduce the inspection backlog, the Division transferred certain regulatory duties to outside entities, but did not provide sufficient guidance or oversight over third-party inspections and related activities. Finally, the Division does not have adequate

management information over mining regulatory activities to reduce the risk of mining accidents.

- The Division does not take reasonable steps to ensure elevators and boilers have certificates to verify operating safety. A review of data from the Division's tracking system indicated as many as 4,360 elevators and 1,188 boilers were operating without a certificate as of June 30, 2017. Some of these objects operated for years without a valid operating certificate. Furthermore, another 90 objects constructed since 2005 never received a final inspection to certify installation was in accordance with established codes. Elevators and boilers operated without certificates because the Division relies entirely upon the owner to identify certificate expiration dates, schedule inspections, and fix code violations.
- Elevators and boilers were not issued operating certificates for one of three reasons: a routine inspection was not performed, violations were not cleared, or fees were not paid. Our review of 50 objects found nearly half of objects had not been inspected in the cyclical timeframe established by the Division.
- Our review of information in the Division's database showed at least 90 installations or modified elevators and boilers were not inspected prior to being placed into service, some dating back to 2005. Construction and modification certificates allow 1 year from the date of issuance for the work to be completed before the certificate expires.
- The Division is not ensuring code violations related to an elevator's and boiler's operating safety are fixed and cleared in a timely manner. Inspection violations are a clear warning these objects are not operating within normally accepted standards and may be unsafe. Yet, our review of 130 inspection violations found the Division is performing limited, if any, procedures to confirm violations are addressed. Unresolved violations also contributed to the Division's loss of certificate fee revenue since some violations must be cleared prior to a certificate being issued.
- The Division transferred inspection and certain other regulatory responsibilities to third-party agencies, but has not developed sufficient guidance or provided oversight of these activities. Responsibilities were transferred around July 2015 in an effort to reduce the backlog of inspections for elevators and boilers to ensure objects were operating within adopted standards. However, many of the oversight activities outlined in the regulation have not been implemented by the Division.
- The Division does not have adequate management information to confirm annual mine inspections are performed. Although the Division does have an inspection process, management information to monitor inspections is cumbersome and inefficient. Management reports from its database do not provide sufficient detail to readily identify whether required annual inspections are completed.
- The Division is not monitoring whether violations from mine inspections are resolved appropriately and timely. Management indicated the Division does not have a uniform process for identifying open violations with past-due deadlines. Three of 20 mine files showed no evidence of any corrective measures being taken

by mine operators regarding violations. As a result, the Division cannot be sure violations are resolved and mineworkers are safe.

DEPARTMENT OF BUSINESS AND INDUSTRY

HOUSING DIVISION

The Housing Division effectively monitored low-income housing properties funded by federal tax credit and grant programs to ensure significant program, project, and financial requirements were met. Compliance monitoring staff annually inspect properties that provide housing for thousands of families. These inspections ensure numerous requirements are met on an ongoing basis, including many related to safe and sanitary conditions. The effective monitoring is the result of controls established by the Division to ensure inspections are done timely and thoroughly.

The Division needs to improve its performance measures used in the state's budget process. Specifically, better controls are needed to ensure the measures reported in the Executive Budget are accurate and reliable. In addition, the Division's measures used in the budget process need to be revised to better reflect the accomplishments of the Division's programs and key activities. Performance measures facilitate accountability and provide an opportunity to evaluate success in achieving goals. Measures must be reliable and applicable to the agency to help the Governor, Legislature, and agency officials make informed budgetary and policy decisions.

- We tested 50 of 273 properties the Division currently monitors and found the Division timely and thoroughly monitored them in calendar year 2016. These properties are comprised of approximately 23,000 housing units. The thoroughness and quality of the Division's monitoring provide assurance that families are housed in safe conditions, charged appropriate rent, and are eligible for the programs. Timely and effective monitoring ensures problems are corrected quickly and reported to federal agencies when appropriate. Finally, monitoring properties in accordance with federal requirements helps ensure the State qualifies for future federal funding.
- The Division has developed various controls to ensure successful monitoring of properties. Its compliance and procedures manuals include expectations above federal requirements. These higher internal standards ensure federal requirements are met even if staff do not meet internal standards. In addition, compliance staff use checklists for the compliance process to help ensure all requirements are verified. Finally, the Division uses compliance auditing management software that is used to schedule upcoming audits, generate reports, document findings, and review tenant qualifications. This software is automatically updated when federal requirements change.
- The Division's controls for performance measures need improvement to ensure that the numbers reported in future executive budgets are accurate and reliable. The Governor and Legislature use agency measures to help them make budget and

policy decisions. Control weaknesses include a lack of documentation, insufficient review, and inadequate written procedures for calculating measures.

- The usefulness of the Division's performance measures used in the state budget process can be improved. Specifically, five of six measures included in the 2017-2019 Executive Budget did not fully reflect the impact of the Division's efforts. The current performance measures do not provide adequate information on the progress and performance of the Division's programs. Another indication of the limited usefulness of these measures is management utilizes a different set of performance measures to manage its operations throughout the year. Development of useful performance measures can improve internal and external decision-making.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

AGING AND DISABILITY SERVICES DIVISION

The Division needs additional controls to prevent overpayments to providers of services to individuals with intellectual disabilities. Based on our test results, we estimate the Division overpaid providers a combined total between \$3.5 million and \$4.3 million in 2015. Overpayments to providers included those providing 24-hour care, as well as those providing jobs and day training to the Division's clients. The combined total is based on overpayments identified in three areas: (1) overbilling issues for 24-hour care homes (\$2.2 million to \$3.0 million); (2) billing for more supported living arrangement (SLA) services than were agreed upon (\$504,000); and (3) billing for more jobs and day training (JDT) services than were provided (\$766,000). Improved controls would help ensure the Division receives the services it pays for and intellectually disabled individuals receive the services they need. Furthermore, by eliminating overpayments to providers, the Division can serve more clients. The Division paid a total of \$106 million in calendar year 2015 to providers serving clients of the Desert Regional Center (DRC) and Sierra Regional Center (SRC).

Some of the overbilling problems described in this report may be the result of provider fraud, while others may be unintentional errors. Therefore, as required by NRS 218G.140 (2), we reported this information to the Governor, each Legislator, and the Attorney General.

Although the Division has a thorough process for certifying SLA providers, the timeliness of certifying these providers needs to be improved. In addition, the Division has not yet developed a rigorous process for certifying JDT providers, several years after legislation was passed requiring them to do so. A well-developed certification process will include standards for the provision of quality care and training by JDT providers to the Division's intellectually disabled clients. Finally, the Division did not always have documentation showing that deficiencies noted during home inspections were corrected.

- We estimate the Division overpaid providers of 24-hour SLA services between \$2.2 million and \$3.0 million in 2015. Our estimate is based on a detailed review of about \$550,000 in payments for about 1,800 days of service, which found overbillings of between 3.1% and 4.3% of the total billed.

- The level of SLA services provided to the Division's clients often varied from the level agreed upon. In about one-fourth of the days tested, the number of staff hours provided were less than the number established when the contract was developed. On days that clients are underserved, it can affect their health and welfare, as well as the safety of provider staff. Conversely, in about one-fourth of the days tested, the number of hours provided was greater than the number agreed upon. We estimate the Division overpaid providers of SLA services an additional \$504,000 in 2015 for days when more hours were provided than were agreed upon.
- For 27 of 150 (18%) JDT billings tested, the number of days billed was more than the number shown on providers' logs of staff and client daily attendance or other records. We estimate the Division overpaid providers of JDT services about \$766,000 in calendar year 2015. Based on the average cost of providing JDT services for a year, eliminating overpayments to JDT providers could have paid for JDT services to about 50 more clients for one year.
- Our testing of the 29 largest SLA providers found 27 were not certified timely. Certification reviews include inspections and testing to help ensure that clients' living conditions are safe and provider staff are properly trained and have cleared criminal background checks.
- The Division's certification process for JDT providers is limited to administrative requirements, such as verifying the provider has a Nevada business license. The process excludes criminal background checks, documentation of employee licensure, and proof of staff training. The Division has not yet adopted regulations with more rigorous certification requirements, as required by legislation passed in 2009. In addition, the Division has not documented that additional certification requirements from legislation passed in 2011 have been met.
- Although the Division inspected homes timely, it did not have an effective process to ensure deficiencies identified during home inspections were corrected. In 14 of the 29 homes we tested that were inspected, corrective action was required to address deficiencies found in the home. However, for 6 of the 14 (43%) homes with deficiencies, the Division did not have documentation showing that corrective action was completed.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIRECTOR'S OFFICE

The Director's Office needs to improve controls over grant awards and payments. Grantees received payment for services that exceeded the cost to provide the service. In total, grantees overstated personnel costs by \$870,000. Of this, overpayments were made in the amount of \$176,000, and \$682,000 was improperly categorized as federal cost share to obtain funding. Overpayments occurred partially because grantees were awarded funding for the same position across multiple grants that exceeded 100% of the employee's time and effort. Furthermore, the Office does not coordinate awarding or fiscal monitoring activities with its various divisions and grant award applications were

not consistent or properly completed. Finally, additional procedures and controls are needed over year-end adjustments that resulted in overpayments of \$12,000.

Provisions in grant agreements authorize the Department of Health and Human Services (DHHS) to recover these overpayments; however, recovery may not be cost effective. As noted in the report, we did not determine overpayments for 6 of 10 grant recipients selected because grant applications had insufficient detail. Nevertheless, based on our testing of the remaining four grant recipients, it is likely overpayments occurred for other grant recipients. Because identifying overpayments requires a detailed comparison of each payment request for multiple grants, a significant commitment of DHHS resources would be necessary to determine all overpayments. In addition, the overpayments we identified were widespread across different funding sources making it difficult to identify which funding source an overpayment might relate to. We believe DHHS's resources would be better spent taking action to correct the issues causing the overpayments than recovering past overpayments. However, the final decision on where to commit DHHS resources rests with management.

- Grantees requested payment for certain personnel from multiple grants that exceeded the annual salary and benefit total of the employee. Grants included state and federal funding sources, but were administered and overseen by the Office and its various divisions. Since the Office and its divisions did not coordinate grant activities, \$176,000 in personnel costs was overpaid to grantees during fiscal years 2016 and 2017. Grantees, in order to receive funding, overcharged salaries as cost share in the amount of \$682,000. Salaries and benefits were overcharged partially because some program activities are interrelated.
- Four of 10 grantees selected received additional funding because personnel performing program services were dedicated to multiple grant programs, and their time and effort claimed across the grants aggregated to more than 100%. Specifically, 33 of 134 (25%) positions noted on grant applications were for personnel whose time, when aggregated, exceeded a fulltime equivalent position. Amounts awarded above the annual salary and benefit cost could have been utilized to fund other programs or awarded to other grantees to provide services to more people in need.
- Grantees requested funding from a federal program for personnel who were dedicated to providing service to state funded programs. Program activities between the state and federal grants were only marginally related for some personnel and were not related for others. As a result, services provided may have been less than that paid for.
- Completed grant applications did not provide detail as required, or specific information was not requested to adequately determine if grantees were requesting inappropriate funding. Seventy-eight of 170 (46%) grant applications reviewed did not provide enough information such as the name of the individual or a position number, to determine if grantees were requesting more than necessary to recover costs. Details regarding grant funding are important for determining the adequacy of requests. We noted one grantee received over \$2 million in funding for salaries

and benefits for one fiscal year, but provided only minimal detail regarding the positions or employees being funded.

- Grantees also received overpayments when salaries were adjusted at the end of the fiscal and grant year. In total, two of four grantees received overpayments of nearly \$12,000 when amounts requested on June 2016 payment requests were also included on July 2016 requests. Additionally, some payment requests near year end included amounts for personnel who had not been charged to the program previously and were not listed on grant budgets.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, COMMUNITY-BASED LIVING ARRANGEMENT HOMES

Adults in need of mental health care live in dismal conditions at many community-based living arrangement (CBLA) provider homes. During our inspections of provider homes, we identified serious, deficient conditions prevalent at most of the homes. This includes unsanitary and unsafe conditions, and poor medication management practices. In addition, we identified numerous conditions that could negatively affect the quality of life for mentally ill clients. Furthermore, we observed children living at risk at two homes. We inspected CBLA homes that serve clients of Northern Nevada Adult Mental Health Services (NNAMHS) and Southern Nevada Adult Mental Health Services (SNAMHS). Although the Division developed policies and procedures to inspect provider homes, staff implementation of procedures is inadequate. When home inspections are not performed properly, deficiencies go undocumented, corrective action is not taken, and unsafe and unhealthy conditions may continue and proliferate.

Although the Division is responsible for certifying providers of CBLA homes, certification activities performed by the Division are inadequate. Specifically, reviews and assessments required for certifying providers were not performed for most of the 20 CBLA providers we tested, and were untimely for others. Although NNAMHS and SNAMHS performed some steps, such as obtaining business licenses and proof of insurance coverages, other key activities important for determining whether the providers met the Division's 2014 standards for certification were often omitted. When CBLA providers do not undergo complete or timely certification reviews, there is increased risk that unqualified providers may operate unchecked, needlessly exposing clients to adverse conditions.

Without strong inspection and certification processes, we have serious concerns with the current model for funding CBLA provider homes. Providers operate a business that inherently is driven by a profit motive. In the absence of adequate inspection and certification activities, providers may limit their level of care to maximize profits at the detriment of client services.

- During our inspections of CBLA homes, we observed serious, deficient conditions at all 37 homes inspected. Our inspections included 37 of 105 (35%) homes providing services for NNAMHS and SNAMHS clients. Because providers

typically operate more than one home, the number of providers included in our inspections exceeded 70% of the total providers.

- The following are some examples of conditions observed during our inspections of 37 homes:
 - Unsanitary conditions (36 homes) – Excessively dirty floors, ceilings, and walls; mold and mildew; rodent and insect infestations; and no hand soap or toilet paper in bathrooms.
 - Personal health and safety hazards (34 homes) – Expired, spoiled, or improperly stored food; broken bathroom and bedroom doors; and broken and exposed glass.
 - Fire safety hazards (33 homes) – Expired, non-inspected, or inaccessible fire extinguishers, and missing and disabled smoke detectors.
 - Inadequate medication management practices (28 homes) – Medication administration records (MAR) left blank, not up-to-date, or completed in advance. Medications were not properly stored, including unsecured, commingled, and expired medications.
 - Bleak living conditions (36 homes) – Insufficient quantities of food; inadequate lighting; insufficient bedding and linens; and non-functioning or damaged appliances.
- At two homes, we observed young children of the caregivers living in the homes. In one home, the child's parent was not present and the mentally ill clients provided childcare while the mother reportedly worked another full-time job outside the home.
- For 11 of 20 (55%) CBLA homes inspected in southern Nevada, the staff member identified as the caregiver spoke little to no English, the language of the clients living in the home. Caregivers are responsible for tasks that necessitate client interaction such as administering medications and supervising client activities. If caregivers are unable to communicate, clients may not receive the services they need, and those for which the State is paying.
- Most of the 20 CBLA providers we tested had not undergone required review and assessment procedures for certification, and when procedures were performed, they were untimely by up to 5 years.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, COMMUNITY-BASED LIVING ARRANGEMENT HOMES, RESIDENTIAL SERVICES PAYMENTS

The Division's oversight of community-based living arrangement (CBLA) provider payments is not adequate to protect against providers overbilling the State, or to help ensure the validity of payments. We estimate the Division was overbilled about \$1.5

million in fiscal year 2017. These overbillings resulted from providers billing for more hours than were recorded on staff service logs and payroll documents, and billings for duplicate services. Adequate controls over provider payments are important to help ensure the Division and clients receive the services they pay for and to help ensure the Division's financial resources are used effectively.

In addition, the Division lacked proper oversight of NNAMHS' and SNAMHS' operations to help ensure consistent billing rates for provider services. As a result, the Division paid different rates for similar provider staff service hours, and paid more for client housing costs than it should have. We estimate the State could have realized savings of over \$600,000 in fiscal year 2017 with better oversight of CBLA provider pay rates and housing costs.

Some of the overbilling problems described in this report may be the result of provider fraud, while others may be unintentional errors. Therefore, as required by Nevada Revised Statutes (NRS) 218G.140(2), we reported this information to the Governor, each Legislator, and the Attorney General.

Some of the overbilling problems described in this report may be the result of provider fraud, while others may be unintentional errors. Therefore, as required by Nevada Revised Statutes (NRS) 218G.140(2), we reported this information to the Governor, each Legislator, and the Attorney General.

The Division needs to provide better management of residential services to help ensure CBLA home providers' sustainability and equality. Our analysis found some homes may find it difficult to make a profit while others may potentially generate annual profits of more than \$100,000 per home. The primary factors affecting the financial sustainability of homes' operations include the number of clients placed within each home, the clients' billable service hours, housing costs, and payroll practices.

- We estimate providers overbilled the Division about \$1.5 million in fiscal year 2017 for staff service hours. Our estimate is based on a statistical sample of 45 monthly billings for provider homes. Because monthly billings include client service hours recorded on staff logs, we reviewed and analyzed tens of thousands of daily entries recorded on 167 staff service logs. Our detailed review of over \$475,000 in payments related to the 45 monthly billings identified overbillings totaling more than \$52,000 for 35 (78%) of the provider billings tested. Using statistical principles, these overbillings were then extrapolated to a yearly amount to make our estimate.
- The Division lacked proper oversight of NNAMHS' and SNAMHS' operations to ensure the State did not overpay for CBLA home staff service hours and client housing costs. As a result, the Division paid different rates for similar service hours in northern Nevada compared to southern Nevada. In addition, the Division paid more for client housing costs than it should have, mainly in southern Nevada. We estimate the State could have saved over \$600,000 in fiscal year 2017 if there was better oversight of provider pay rates and client housing costs.

- CBLA providers' supporting documentation used to bill the Division for staff service hours was often inadequate and lacked important information. In addition, this documentation included skills training hours recorded by provider staff that spoke a different language than the client. Because providers are paid for service hours that include teaching or helping a client relearn specific skills, it is important that supporting documentation accurately identifies the hours of service provided. Furthermore, it is imperative that providers' staff have the ability to effectively communicate with a client; thereby, achieving the desired outcome of the services provided.
- Financial sustainability of CBLA homes' operations varied significantly. The most significant factors affecting providers' cash flows, for the 45 monthly home payments tested, were the number of clients they housed and their monthly billable service hours. The more profitable CBLA providers housed the clients with the greater number of service hours. Conversely, providers housing clients that had fewer service hours, or fewer clients per home, had less favorable cash flows, with some barely breaking even or showing losses.
- CBLA home providers used a wide range of payroll practices, some of which may have violated state and federal labor laws and created an unfair advantage over other providers. Although most of the CBLA providers in northern Nevada had adequate documentation that payroll requirements were followed, most of the southern Nevada providers had questionable payroll practices. First, many providers were unable to provide basic employment records of timesheets to support hours worked. Second, nine employees received an hourly rate below the state minimum wage of \$8.25 per hour. Third, some providers treated their employees as independent contractors, thus avoiding employment taxes.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, MEDICAL MARIJUANA PROGRAM

The Medical Marijuana Program (Program) needs to make enhancements to ensure requirements for eligible participation in the Program are met. We found some cardholders did not qualify to grow marijuana but were approved by the Program. The Program also needs to scrutinize the authenticity of physician recommendation forms to ensure applicants have qualifying medical needs. Additionally, the Legislature should consider eliminating the requirement for conducting background checks on medical marijuana cardholders. Individuals with disqualifying criminal histories will be able to purchase recreational marijuana and the costs of the existing process outweigh the benefits. The program could have saved about \$400,000 in 2016 if background checks were not required.

- The Program approves registry applicants' requests to grow marijuana without determining whether they are eligible. As a result, 67% of cardholders we tested, in three counties with operating dispensaries, did not qualify to grow as they lived within 25 miles of a dispensary. Additionally, the Program did not adequately

monitor the authorized grower information recorded in its database. Records for 39% of the 2,843 authorized growers did not cite the statutory reason they qualified as a grower.

- The Program needs to scrutinize the authenticity of physician recommendation forms to ensure applicants have qualifying medical needs. We found physician recommendation forms were not verified and some recommendations were made by medical professionals not meeting the definition of attending physicians in statute. Further, the Program has not coordinated with the Nevada State Boards of Medical Examiners and Osteopathic Medicine to establish a monitoring process as required by statute and regulation.
- The cost of enforcing the requirement to revoke a registry identification card based on the cardholder's criminal history exceeds the benefit. A background check is required for all initial applications; however, we estimate the number of registry cardholders with a disqualifying criminal history to be minimal. If the background check was not required, the Program could have saved about \$400,000 in calendar year 2016. In addition, background checks will not be required to purchase marijuana for recreational use.
- The Medical Marijuana Program can strengthen controls over its registry function, recordkeeping practices, and billing process. Controls in the registry are ineffective in preventing marijuana sales to cardholders with expired registry identification cards. Records management policies and procedures are lacking, which resulted in poorly organized and misplaced records. Additionally, the Program did not invoice for all billable activities or collect delinquent accounts from medical marijuana establishments.

Legalization of Recreational Marijuana Impact

As of January 2017, Nevada became one of nine states to legalize the recreational use of marijuana. Similar to other states' experience, we anticipate the Medical Marijuana Program to continue to be a relevant path for individuals to obtain marijuana. For example, Colorado legalized recreational marijuana in 2012 and sales to the public began in 2014. Since that time, the number of participants in Colorado's medical marijuana program has remained reasonably stable. Additionally, taxes assessed on medical marijuana in Nevada are significantly less than the taxes proposed on recreational marijuana sales. In relation to our report, the Program may be impacted by the legalization of recreational marijuana as follows:

Marijuana Growers – Approval of cardholders authorized to grow marijuana remains relevant because, like the medical program, the recreational program prohibits individuals from growing if their residence is within 25 miles of an operating dispensary.

Qualifying Medical Conditions – Verifying the authenticity of physician recommendation forms will continue to be important to ensure medical program applicants have qualifying medical conditions. Further, because recreational use

will be illegal for persons under 21 years of age, ensuring those under 21 have qualifying medical conditions for participation in the medical program is crucial.

Background Checks – The requirement to verify cardholders’ criminal history in the medical marijuana program is no longer pertinent, because purchasing recreational marijuana will not require such verification.

DEPARTMENT OF PUBLIC SAFETY

INVESTIGATION DIVISION

The Investigation Division (Division) can improve administrative controls over certain areas. First, fuel cards and related purchases should be reviewed to verify purchases are made for only Division vehicles. Furthermore, some fuel cards were not canceled when employees left the agency. The Division can also enhance all aspects of determining and reporting adequate and reliable performance measures. Additionally, our review of bank statements revealed control weaknesses existed over certain bank accounts where key duties were not segregated. Finally, although the Division processed confidential drug buy funds accurately, documentation was not consistent among offices.

- The Division does not have a process for reviewing fuel purchases. Our review of 45 fuel transactions found 11 (24%) transactions had unexpectedly low miles per gallon (MPG) ratios for assigned vehicles. The Division did not identify or review these purchases. Reviewing fuel card activity will help verify purchases are made for only Division vehicles.
- The Department of Public Safety does not have an established process to cancel fuel cards for investigators no longer employed by the Division. We reviewed 148 total active fuel cards and found 61 cards were assigned to 26 investigators no longer with the Division. None of the cards had charges after the termination date of the investigator. Division management indicated cards are turned in by investigators upon termination but actual cancellation or deactivation of the card is handled by the Department of Public Safety’s fiscal unit who did not notify vendors.
- The Division can take steps to strengthen the reliability of its performance measures. Underlying records for previously reported measures were not retained, nor did the Division have policies and procedures in place for the calculation and review of performance measures. Performance measures must be reliable because they can affect budget and policy decisions made by oversight bodies, as well as judgments made by stakeholders and the public about the Division’s operations.
- Our review of bank reconciliations revealed control weaknesses over bank accounts in the Carson City office where key duties are not segregated. Our review of outside bank account activity found bank reconciliations were prepared and reviewed by the same employee who is involved in the day-to-day operations of the bank account. Segregation of duties is important in ensuring funds are protected against improper use. The State Administrative Manual requires agencies to have

an established system of controls to segregate duties appropriately to safeguard the assets of the agency.

- The Division processed and tracked confidential drug buy funds accurately, but can make improvements when documenting certain aspects of the process. Criminal cases are developed through the purchase of evidence with drug buy funds issued through an outside bank account. Specifically, documentation used to substantiate cases regarding funds was not always retained.

NEVADA DEPARTMENT OF WILDLIFE

NDOW can take steps to strengthen its strategic planning process. Strategic planning is a long-term, future-oriented process of assessment, goal setting, and decision making. It includes a multi-year view of objectives and strategies essential for the accomplishment of agency goals. Our review of NDOW's strategic planning process revealed opportunities for improvement. An up-to-date strategic plan organized by division, with all key strategic planning components identified, will assist the agency in effectively using the plan to achieve and communicate its mission, goals, and objectives.

Improvements are needed regarding the oversight of activities related to the proper administration of performance measures. We found reported results for measures were not always reliable. Improvements are also needed to align measures with the agency's strategic plan and key program activities. Furthermore, additional guidance and oversight can improve the reliability of the agency's measures. Performance measures facilitate accountability and provide an opportunity to evaluate success in achieving goals. Measures must also be reliable to help the Governor, Legislature, and agency officials make informed budgetary and policy decisions.

- NDOW's strategic plan is missing certain required components. The agency's plan does not include its mission statement or performance measures, fundamental components necessary to guide the agency in its strategic planning process.
- The Department's strategic plan is not used in its daily operations. A successful strategic plan enhances decision making by improving internal communication. By not utilizing its strategic plan, the agency is losing out on the many benefits a strategic plan provides.
- NDOW's strategic plan is outdated and incomplete. Since it was created in 2009, certain outcomes, goals, and objectives are no longer relevant, and revisions are needed to reflect current operations. Our review also revealed incomplete desired outcome and objective statements, as well as unresolved comments and remarks. Management and staff indicated that they are taking steps to improve upon their strategic planning process. The agency plans to revise their strategic plan by July 2017.
- Performance measures cannot be considered reliable unless they are supported by sufficient underlying records. Our review of NDOW's fiscal year 2014 and 2015 performance measures revealed 16 of 20 measures and 3 of 19 measures were not adequately supported.

- Performance measures are reliable when the reported results are calculated using a sound and consistent methodology. Our review found 5 of 20 fiscal year 2014 measures and 2 of 19 fiscal year 2015 measures were calculated using an inappropriate methodology. Additionally, three 2015 measures were not calculated in the same manner as in previous years.
- Certain performance measures were not reliable due to mathematical errors. Our review found one 2014 and three 2015 measures to be inaccurate. The mathematical errors stemmed from manual counts of hardcopy reports and spreadsheet data. Although the mathematical errors were relatively minor, these errors went undetected because of the lack of review over performance data calculations.
- Some performance measurement descriptions did not match what was reported. Our review found three 2014 and one 2015 measurement title did not reflect reported information.
- Most performance measures are not aligned with the agency's objectives included in its strategic plan. Our review of fiscal year 2014 and 2015 performance measures revealed 19 of 20 measures and 18 of 19 measures did not relate to a corresponding agency objective.
- Department policies and procedures do not provide adequate guidance to assist staff with measuring performance. During our testing, division administrators were in the process of developing measurement procedures; however, we found 16 of 20 fiscal year 2014 measures and 14 of 19 fiscal year 2015 measures still lacked adequate procedures.
- NDOW's current practice for developing, maintaining, and monitoring performance data makes it difficult to assess performance. We found five of the agency's eight divisions do not use their performance measures to manage daily activities. Seven of the eight divisions also did not calculate their fiscal year 2015 measures until July 2016.

STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

DIVISION OF ENVIRONMENTAL PROTECTION, BUREAU OF SAFE DRINKING WATER

The Bureau of Safe Drinking Water (Bureau) ensures that Nevadans are provided with safe and reliable drinking water. The Bureau effectively supervises public water systems and water quality testing laboratories through regular monitoring of water quality samples, facility inspections, and permitting. However, the Bureau did not always inspect laboratories timely. Additionally, for some small water facilities, the Bureau did not follow up on inspection deficiencies. Implementing these enhancements would strengthen the Bureau's drinking water efforts.

Although the Bureau has provided information to school districts regarding a new voluntary project to test for lead in school drinking water, most school districts have not taken advantage of this project funded by a federal grant. After the project's first year,

many schools have not yet been tested for lead, though the Division has received commitments for testing from most districts.

- Reviews of water quality testing allow the Bureau to identify and address problems with drinking water standards. Water system operators take samples for numerous contaminants frequently, in some cases hundreds every month. Samples are tested by certified water quality testing laboratories and reported directly to the Bureau. Based on our review of testing data and problem follow up, the Bureau monitored water quality results and ensured any problems were resolved timely.
- The Bureau's water facility inspections provide assurance that public water systems maintain substantial compliance in many key areas designed to ensure water quality and reliability. For 30 public water system inspections we reviewed, inspections were thorough and any issues noted were usually resolved timely. However, in a few instances, some concerns noted during inspections of small water systems were not followed up on until our inquiries. Lastly, we found inspections were timely for all active public water systems.
- The Bureau has an effective process for reviewing system plans for water operations, ensuring they are prepared and designed appropriately, in accordance with federal and state laws and regulations. Water systems must submit plans for Bureau review and approval. Additions and modifications for facility operations must also be submitted for Bureau review. In our review of 10 addition and modification requests, we found the Bureau conducted thorough assessments.
- The Bureau's proficiency testing program allows the Bureau to assess and ensure the accuracy of water quality testing conducted by certified laboratories. Water quality testing laboratories are certified in various methods, which are specific types of tests used to assess contaminants. Laboratories must demonstrate to the Bureau that they are proficient in each certified method by accurately testing a water sample provided by an independent third party every 6 months. The proficiency results for 10 laboratories we reviewed were complete and acceptable for each certified method.
- The Bureau's onsite laboratory inspections provide assurance that water quality testing laboratories have sufficient expertise and procedures to accurately assess water samples. In our review of 28 laboratories, inspections were comprehensive and any issues noted were resolved quickly. However, when we reviewed inspections for all Nevada laboratories, we found that inspections were not always timely. Nevertheless, all inspections were eventually completed, and most untimely inspections were only a few months late.
- The Bureau has an extensive process for certifying laboratories to perform water quality tests. Laboratory operations are reviewed to ensure compliance with federal and state laws and regulations, as well as several industry best practices adopted by reference in state regulation. These standards, as assessed by the Bureau promote the consistency and accuracy of water quality testing.
- Although the Bureau has provided information to school districts regarding a new voluntary project to test for lead in school drinking water, most school districts have

not taken advantage of this project funded by a 2-year federal grant. After the project's first year, many schools have not yet been tested for lead, though the Division has received commitments for testing from most districts. For those tested, a very small portion showed unacceptable lead levels at one or more water fixtures. These incidents were resolved by replacing problem water fixtures. The voluntary project pays for schools to test for lead and receive replacement equipment through a federal grant. The Bureau coordinates with public water systems to provide testing personnel to conduct testing, and provides informational and technical assistance.

STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

DIVISION OF STATE PARKS

The Division can strengthen certain administrative processes over collecting park fees, tracking fuel card use, and reviewing concessionaire payments. Division policies and procedures over the fee collection process are inadequate and leave the Division vulnerable to theft. Additionally, diversifying payment methods and enhancing compliance controls and enforcement could increase revenue to Nevada state parks. We estimate the Division did not collect over \$1.2 million in fiscal year 2017 due to visitor noncompliance with required fees. The Division also needs to improve its oversight of fuel card use. The lack of fuel card policies and procedures lead to important administrative controls not occurring, such as accurately tracking fuel card assignments, reconciling mileage with fuel consumption, and monitoring vehicle mileage. Furthermore, the Division can improve its review of concessionaire payments to ensure accuracy in accordance with contract terms.

- The Division can improve upon its park fee collection efforts. In fiscal year 2017, the Division collected over \$4.3 million in park user fees. We determined the Division has an opportunity to generate additional revenues by strengthening its processes to improve visitor compliance with required fees. We analyzed park visitation and revenue data to estimate the impact of uncollected fees due to visitor noncompliance. We conservatively estimated 30% of park visitors did not pay the required day-use fees in fiscal year 2017, which amounted to over \$1.2 million in uncollected revenue.
- The Division's cash collection from self-pay stations leaves the Division vulnerable to theft from employees and volunteers. Management has identified several methods for detecting theft, but not necessarily preventing theft. Although these methods for theft detection are helpful, stronger controls are needed over the collection of park fees. Division policies and procedures lack specific guidance over park fees collected at the self-pay stations. The procedures require a separation of duties when staffing allows, but do not require two employees present when handling cash, nor do the procedures detail the fee collection process for self-pay stations.
- By offering visitors different methods for paying park fees, the Division could increase fee revenue. Currently, Nevada state parks collect fees using one or more

of three payment methods: self-pay cash stations, staffed fee booths, and self-pay electronic fee stations. Installation of an electronic fee station at Sand Harbor State Park contributed to a 70% increase in entrance fee revenues between October 2017 (when station was installed) and February 2018, compared to fee revenues for corresponding months in the prior year.

- The Division can strengthen its fee enforcement processes to ensure visitors comply with required park fees. With about 30% of visitors not paying required day-use fees, the Division's enforcement efforts could improve when conveying to park visitors fee expectations and the consequences for not paying.
- Controls over the administration of fuel cards are weak. We determined the Division's administrative controls over fuel cards do not adequately safeguard against misuse. Fuel card documentation was either incomplete or did not exist. Due to the weaknesses noted in the control system and the lack of policies and procedures over fuel cards, the Division cannot accurately account for all fuel cards and has limited assurance that the cards are being appropriately used for park activities.
- The Division is unable to effectively monitor fuel card use. Reconciling vehicle mileage to fuel card invoices would help identify improper fuel card use. However, vehicle mileage logs are not consistently tracked throughout the state parks. Additionally, fuel cards are assigned to employees instead of vehicles, making an accurate comparison of vehicle mileage to fuel consumption a challenge.
- The Division can improve its review of concessionaire payments to ensure the accuracy of fees collected. One of the Division's four concessionaires overpaid the Division about \$21,900 between calendar years 2011 and 2017. Although staff indicated payments and supporting documentation are reviewed, no evidence existed documenting this review to identify fee inaccuracies.

STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

DIVISION OF FORESTRY

Nevada's Division of Forestry (NDF) can improve controls over contract administration of Conservation Camp Program projects and Wildland Fire Protection Program (WFPP) interlocal agreements. Conservation camp projects were often completed without properly executed contracts in place. Additionally, documentation was frequently not sufficient to justify reduced-rate and non-reimbursable projects. For the WFPP, the Division should also formalize the rate setting process and document assumptions used to establish future participant rate assessments. Current rates cannot be recalculated as supporting documentation and assumptions were not maintained. Finally, administration of non-fire suppression services can be enhanced to include uniform documentation of projects requested by participants and performed by staff, and to improve tracking and communicating the value of services provided to participating jurisdictions.

NDF can improve the effectiveness of its operations and administrative controls over the Nursery Program. Improvements include restructuring its strategic plan and

implementing consistent operating practices at both locations to enhance the fiscal sustainability of the program. We found sales discounts were often given without adequate documentation to determine the appropriateness of the discount. NDF's processes are also not sufficient to verify or enforce certain statutory and regulatory requirements limiting sales to conservation purposes. Finally, controls over growing agreements need significant improvement.

- Conservation camp projects were often completed without a properly executed agreement in place. Agreements for 17 of 56 (30.4%) projects we requested during fiscal years 2016 and 2017 could not be provided by NDF. Of the 39 conservation camp agreements received, 24 (66.6%) did not have adequate approvals. Additionally, three project agreements (7.7%) were dated and signed after work had commenced. Having a properly executed project contract prior to work commencing is important because without a contract in place, the State could be liable for injury or damages caused by conservation camp crews or could result in lost revenues to the Division.
- Non-reimbursable and reduced rate conservation camp projects were often not properly approved or did not include supporting documentation for reduced rates. Of 30 nonstandard rate agreements reviewed, 9 (30%) agreements did not include a Project Type and Rate Justification Form. Additionally, 18 of 20 (90%) nonstandard rate agreements that included a justification form did not include sufficient supporting description or details indicating how the appropriateness of the reduced rate was determined. Furthermore, none of the 20 nonstandard rate agreements with justification forms had evidence of area supervisor or Carson City office review or approval on the form.
- County representatives in participating jurisdictions indicated they are satisfied with the services provided by NDF through the WFPP, although we found oversight and management of the program can be improved. NDF should formalize and document the formula for calculating future county assessment rates. Existing rates cannot be recalculated as supporting documentation and assumptions were not maintained. Non-fire suppression projects requested by participants, and performed under the WFPP should be uniformly documented. Furthermore, when these types of projects are performed, costs associated with non-fire suppression projects should be tracked and communicated to participating jurisdictions.
- Our review of NDF's Nursery Program's strategic plan and operations identified various opportunities for improvement including maintaining a current and relevant plan with specifically defined objectives and goals. Opportunities include updating the plan to provide product pricing, operational guidance, and consistency between locations to set the direction for the nurseries' operations. Additionally, the plan should identify long-term goals and corresponding actions to solidify the Nursery Program's long-term viability.
- Nurseries' pricing practices were inconsistent and not adequately documented, even though plant pricing is required to be formalized by the State Forester and approved by the Director of the State Department of Conservation and Natural Resources.

Consistent pricing, based on an evaluation of operations and cost, will help ensure prices are adequately covering the costs of operations.

- Controls over cash receipts at nurseries need to be strengthened due to limited segregation of duties. Our review of bank deposits also identified control weaknesses over revenues recorded for each nursery location, and NDF's fiscal staff do not reconcile received and recorded revenues in the nursery sales system to what is recorded in the state accounting system. Controls to compensate for lack of segregation of duties are important in ensuring funds are safeguarded.

INFORMATION SECURITY AUDITS

DEPARTMENT OF PUBLIC SAFETY

RECORDS, COMMUNICATIONS AND COMPLIANCE DIVISION, INFORMATION SECURITY

Weaknesses exist in the Division's information security controls. These weaknesses include not disabling and removing former employee network user accounts when they leave Division employment. In addition, some employees did not complete their annual security awareness training. Finally, the Division lacks documentation and review of user access to mission critical applications.

Other security-related controls need improvement. Weaknesses include the Division's lack of a disaster recovery plan, as well as a completed service level agreement with EITS to clarify the scope, quality, responsibilities, and backup requirements of its hosted systems.

- Weaknesses exist in managing the Division's network user accounts. Of the Division's 234 network user accounts, we identified 63 accounts of former employees whose network access had not been disabled or removed in a timely manner. Untimely disabling of former employees' network user accounts increases the risk that someone could gain unauthorized access to sensitive criminal justice information.
- Forty-one of the Division's 179 staff and vendors have not completed their annual security awareness training. State security standards require all state employees to have security awareness refresher training to ensure they stay aware of current security threats, as well as understanding their responsibility to keep state information confidential.
- The Division does not maintain a master list of authorized users or review system access privileges for several of its mission critical applications. Through these applications, the Division collects and stores sensitive criminal justice information. Without the proper documentation of authorized users and annual review of system access privileges, the Division would not have the ability to determine if current user access was appropriate. State security standards dictate system managers shall reevaluate system access privileges granted to all users annually.

- The Division does not have a disaster recovery plan. A disaster recovery plan ensures the prioritization of mission critical services for restoration in the event of an emergency. Without a current disaster recovery plan, there is a greater risk that some unforeseeable event or disaster could jeopardize access to sensitive criminal justice information contained in the Division's systems. Timely restoration of such mission critical services could be severely affected when this plan does not exist. For example, public safety could be impacted if DPS was unable to access the criminal history information contained in the Division's systems.
- A service level agreement is not in place between the Division and EITS. This agreement clearly states what an organization needs, and defines what is expected of a service provider. Without a completed and signed agreement between the Division and EITS, operations continue without a clear commitment in place to clarify the scope, quality, and responsibilities of each party.
- The Division does not have an agreement in place to communicate backup requirements of its systems hosted with EITS. Without the documentation an agreement provides, the Division is unable to ensure adequate backups are in place for its systems. Adequate backups are essential to ensuring recovery of information and the ability to provide support of critical business functions. We found backups were being performed by EITS, but without the Division's oversight.

DEPARTMENT OF TAXATION, INFORMATION SECURITY

The Department needs to strengthen information system controls to ensure adequate protection of information systems and the data processed therein. By taking action to address control weaknesses, the Department can better protect its physical resources, minimize security vulnerabilities, and ensure continuation of mission-critical services.

Control weaknesses included: (1) inadequate protection of server and telecommunications rooms to prevent unauthorized access and maintain optimum temperatures; (2) building access cards not routinely monitored; (3) inadequate monitoring of the status of security updates on laptop computers; (4) not adequately managing network users, including not disabling accounts of former employees; (5) incomplete backup and recovery documentation; (6) incomplete IT contingency planning; and (7) noncompliance with annual security awareness training requirements.

- The Department needs to provide better protection for four of its five server and telecommunications rooms. For example, three rooms housing servers and networking equipment were not secured from unauthorized access. In addition, two rooms lacked controls to maintain optimum temperatures. As a result, network infrastructure is at risk of being stolen, damaged, or improperly accessed.
- The Department's building card access system, which controls access to the building's main entrances, is not routinely monitored. We identified 23 building access cards that needed to be deactivated. The Department needs sufficient measures in place to issue, replace, activate, and deactivate building access cards.

- The Department did not monitor the status of security updates on its 113 laptop computers to assist in protecting against security vulnerabilities. During our audit, most laptops had not received security updates. Staff in the Department's IT unit utilize a systems management application to update its laptops twice a month. However, after a scheduled update, we found only 2 of 66 laptops had successfully received the updates.
- The Department did not ensure Virtual Private Networking (VPN) accounts of former staff were disabled when employees transferred or terminated. A VPN allows users to connect to the Department's network resources through the Internet. We identified 33 of 120 VPN accounts that needed to be deactivated after employees transferred or terminated. Seven of the 33 accounts remained enabled for over 1 year after employees had left the Department.
- The Department does not review user access privileges for two of its four mission-critical applications that collect and distribute tax monies. In one application with 406 accounts, we identified 50 active accounts whose access was no longer appropriate based on the employees' status. Fourteen of the 50 accounts remained active for over 12 months after employees had left the Department and access should have been terminated. In addition, the Department does not maintain a current list of authorized users for these two applications. Without a current list of authorized users and annual evaluation of system access privileges, the Department is unable to periodically review if user access is appropriate.
- Background checks were not always completed for the Department's contractors. There was no evidence showing 6 of the Department's 12 contractors had background checks conducted. These contractors had specific responsibilities that gave them access to the Department's critical systems. State security standards indicate contractors who work for or provide IT services to the State and are identified as sensitive, require background checks.
- The Department does not have adequate documentation of its backup and recovery process. Without adequate documentation of its existing backup and recovery process, the Department cannot develop comprehensive recovery procedures for each system, application, and associated data. Clearly documented procedures bring more predictability to the backup and recovery process and ensure the consistent protection of Department data.
- The Department does not have a complete IT contingency plan. An IT contingency plan should contain sufficient information and instruction to enable management to assure its ability to continue its critical business services and operations. Without a current IT contingency plan, the Department cannot prioritize and categorize recovery of its critical systems.

REVIEWS REQUIRED BY STATUTES

NRS 218G.570 – 218G.585

REVIEW OF GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN, JANUARY 2017

Based on the procedures performed and except as otherwise noted, the policies, procedures, and processes in place at three of the four facilities reviewed provide reasonable assurance that they adequately protect the health, safety, and welfare of the youths at the facilities, and they respect the civil and other rights of youths in their care.

The policies, procedures, and processes at one of the four facilities reviewed were not adequate to provide reasonable assurance that they protect the health, safety, and welfare of the youths at the facility. We reported our concerns to this facility's licensing agency in August 2016 after our visits to the facility in June and July 2016.

We also conducted unannounced site visits to four children's facilities and did not note anything that caused us to question the health, safety, welfare, or protection of the rights of the children in those facilities.

- ART Homes' policies, procedures, and processes need substantial improvements related to: medication administration and documentation; ensuring treatment plans are complete and accurate; maintaining comprehensive personnel records related to background investigations and training; and ensuring the safety of the youths in its foster homes. There was no documentation of consent by the person legally responsible for the psychiatric care of the youths for any of the psychotropic medications administered to the three youths whose files we reviewed who were administered psychotropic medications. We also observed a filing cabinet in the ART Homes' office that was filled with expired and unexpired psychotropic medications and expired non-psychotropic prescription medications, including physicians' samples. All nine treatment plans reviewed were missing signature, dates, and the number of approved hours of Medicaid treatment services. Finally, ART Homes did not comply with NRS 424.135, which requires comprehensive personnel records, and was unable to provide 8 of 11 clearance letters upon our request. Clearance letters provide evidence that employees or potential employees have satisfactorily completed the background investigation process.
- Three of the four facilities reviewed for this report needed to improve their processes and procedures for obtaining consent to administer psychotropic medications to youths from the persons legally responsible for the psychiatric care of each youth. One of the facilities' forms for obtaining consent did not include the information required by statute, and its policy did not address all the required elements of a consent. The other two facilities were missing signed consent forms for one or more youths whose files indicated they received psychotropic medications while at the facilities.
- Three of the four facilities reviewed did not have evidence that employees who are statutorily required to attend medication administration training had received the

training in the timeframe required. At these three facilities, there was no evidence in half (13 of 26) of the employees' files that they had received the training in the timeframes required. NRS 424.0365 and NRS 63.190 require employees who have direct contact with youths to receive certain training, including the administration of medication, within 30 days of employment and annually thereafter. There was no evidence two employees received any medication training even though they had worked at the facility for 3 and 5 years. Another employee had not received training since 2012, and another was missing evidence of training between January 2011 and May 2015.

- All four of the facilities reviewed either did not complete youths' treatment plans timely or the treatment plans were incomplete. In addition, two of the facilities did not review treatment plans periodically or have updated treatment plans in the youths' files.

REVIEW OF GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN, APRIL 2018

Based on the procedures performed and except as otherwise noted, the policies, procedures, and processes in place at two of the four facilities reviewed provide reasonable assurance that they adequately protect the health, safety, and welfare of youths at the facilities, and they respect the civil and other rights of youths in their care. The policies, procedures, and processes at two of the four facilities reviewed only provided minimal assurance that they protect the health, safety, and welfare of the youths at the facility and they respect the civil and other rights of the youths in their care.

We reported our observations at the two facilities to their licensing agencies pursuant to Section 8.5 of Senate Bill 189 of the 2017 Legislative Session. SB 189 requires the Legislative Auditor to provide a report to the licensing entity of a facility found to have deficiencies in policies, procedures, or processes that could be detrimental to the children in the care of the facility.

We also conducted unannounced site visits to four children's facilities and did not note anything that caused us to question the health, safety, welfare, or protection of the rights of the children in those facilities.

- Many of the facilities had common weaknesses. Improvements to medication administration processes and procedures were needed at all four facilities reviewed. This included three facilities that did not have comprehensive policies and procedures for the administration of medication or the policies and procedures did not have sufficient detail. In addition, three facilities were either missing documentation of some consents from the persons legally responsible for the psychiatric care of the youths for the administration of psychotropic medications, or the consent forms were incomplete.
- Statutes do not require facilities that provide treatment to children for abuse of alcohol or drugs to have specific policies and procedures for the administration of medication. Other types of children's facilities are required to have specific

policies and procedures for the administration of medication. The Legislature may wish to consider enacting legislation to require facilities for the treatment of abuse of alcohol or drugs and that provide residential treatment to children who have been placed in the facility pursuant to an order of a court to adopt policies similar to those adopted for other children's facilities.

- Summit View Youth Center (reasonable assurance) – Summit View Youth Center provides reasonable assurance that it adequately protects the youths in its care. However, Summit View could improve its medication administration and documentation, ensure timely preparation of mental health documentation, improve suicide prevention documentation, and better ensure safety issues are addressed.
- Desert Willow Treatment Center (reasonable assurance) – Desert Willow Treatment Center provides reasonable assurance that it adequately protects the youths in its care. However, Desert Willow could improve some policies and procedures, including medication administration.
- Nevada Homes for Youth (minimal assurance) – The policies and procedures at Nevada Homes for Youth were outdated, incomplete, and did not contain a table of contents, making it difficult for staff to locate key policies and procedures when needed. Medication policies do not establish adequate controls over prescription medication or provide assurance that youths receive their medications. In addition, policies related to treatment plans, safety, and youths' rights are not sufficient to ensure youths receive the services they need.
- Genesis (minimal assurance) – Genesis's policies, procedures, and processes do not ensure that all youths receive their medication as prescribed or that the administration of the medication is properly recorded. Policies and procedures regarding client rights, including the right to file a grievance, are not complete, are not consistent, and are not being followed. In addition, policies and procedures related to treatment plans, maintaining complete records of required employee training, and safety issues are not complete. Furthermore, the foster care agency's computer does not have a password to protect sensitive information.

REVIEW OF GUIDELINES FOR LICENSING CHILDREN'S FACILITIES, JANUARY 2018

The tools and written guidance licensing agencies provide to staff for reviewing facilities that have applied for new or renewed licenses need to be updated and to provide more explanatory detail. Key areas are sometimes missing from the guidance, such as informing youths of their rights, having established grievance processes, or mandatory reporting of known or suspected instances of abuse or neglect of a child. Licensing agencies generally use checklists, which refer to the applicable regulation or statute, rather than written policies and procedures. The checklists generally do not contain sufficient explanatory information for the licensing staff. In addition, most checklists were not dated and did not contain evidence of management approval or review.

Incomplete policies, procedures, and checklists may have resulted in some facilities not obtaining written consent from the person legally responsible for the psychiatric care of a

child (PLR) prior to administering psychotropic medications to a child in the custody of a child welfare agency. NRS 432B.4688 forbids a temporary caregiver from administering a psychotropic medication to a child in the custody of a child welfare agency without the prior written consent of the PLR, except in certain situations. Some facilities may not be aware of the requirements of NRS 432B.4688 because the Bureau of Health Care Quality and Compliance (HCQC) does not address the requirements in its licensing information or regulations. In addition, some facilities may be unable to comply with NRS 432B.4688 because they may not have been provided with a copy of a consent or a copy of the withdrawal or denial of consent.

- HCQC does not have policies and procedures to help guide staff when reviewing child care facilities or institutions. Instead, staff use a survey report form, which is a checklist, and a semiannual checklist for child care facilities and a different survey checklist for child care institutions. Although these checklists are referenced to NAC 432A, they do not provide complete guidance to staff to help ensure the facilities protect the health, safety, welfare, and rights of the children in the facilities. For example, the checklists do not mention that residents of a facility or institution who are over the age of 18 must pass a background investigation unless the resident has been placed at the facility pursuant to the order of a court.
- HCQC does not have written policies and procedures for licensing psychiatric hospitals, but staff use a checklist for hospitals that has additional steps for psychiatric services. However, the checklist is not specific to youths. For example, the checklist does not contain any requirements for background investigations of staff who care for youths as required by NRS 449.123.
- HCQC does not have written policies and procedures for licensing facilities for the treatment of abuse of alcohol or drugs, but does use a checklist called a surveyor workbook. However, while the checklist requires medication administration policies and procedures, it does not include documentation of physician's orders or ensuring written consent from the PLR is obtained prior to administering psychotropic medications to a youth in the custody of a child welfare agency.
- None of the three child welfare agencies included in this review (DCFS, DFS, and HSA) have policies or procedures to assist staff with reviewing foster care agencies' policies and practices. DFS and HSA use checklists or attachments to provider applications to review documents submitted during the licensing process. DCFS reported using the requirements in NRS 424 to review foster care agencies, but this is not formalized into policies, procedures, or checklists.
- The three child welfare agencies also license specialized foster homes and group foster homes. Generally, the three agencies use checklists and questionnaires to inspect the homes and checklists to ensure the homes submit all required information with or in their applications. However, they do not have policies and procedures to provide direct guidance to the licensing staff. While the home inspection checklists cover multiple aspects of the health, safety, welfare, and rights of the children, they are weak in certain areas. Most notably, the checklists generally do not include a review of the homes' policies and procedures. For example, the checklists ask the licensing staff to conclude on two different pages

whether unused prescribed medications are destroyed. It does not ask the licensing staff to review the homes' procedures for destroying medication, such as when it should be destroyed, how it should be destroyed, by whom it should be destroyed, and how the destruction should be documented.

RECOMMENDATIONS TO IMPROVE STATE GOVERNMENT

Audit reports issued over the biennium contained 153 recommendations to improve the operations of state government, and 150 of those recommendations were accepted by agency officials. Many of the recommendations address ways to eliminate waste, increase collection of revenues, enhance program effectiveness, improve accountability, and ensure compliance with state laws and regulations.

FOLLOW-UP ON AUDIT RECOMMENDATIONS

Chapter 419, Statutes of Nevada, 1987 (A.B. 540), provides for a follow-up process on audit recommendations. Sixty days after an audit report becomes a public document, the agency audited must file a report outlining a plan of action to implement the recommendations (NRS 218G.250). Six months later, a status report must be filed indicating what recommendations in the audit report have been implemented, what recommendations have not been implemented, and the reason why they have not been implemented (NRS 218G.270).

The judicial branch and statewide elected officials file their six-month status reports directly with the Legislative Auditor. The Office of Finance, Office of the Governor, prepares six-month status reports on executive branch agencies and files the reports with the Legislative Auditor. The Legislative Auditor analyzes the reports and submits them to the Audit Subcommittee, Legislative Commission, and the Interim Finance Committee. Some agencies may be requested, based on the status of recommendations, to return to future meetings of the Audit Subcommittee and provide further information regarding recommendations partially or not implemented. This process provides further assurance recommendations made by the Audit Division will be properly implemented.

For the biennium ended December 2018, we received 19 six-month status reports addressing the status of 140 recommendations. Our analysis of these status reports and additional information provided to the Audit Subcommittee through the follow-up process indicates that 124 recommendations processed during the biennium were fully implemented. Six of the six-month reports, containing 16 partially implemented recommendations, remained in the follow-up process at the end of the biennium.

AUDIT LEGISLATION

The statutory duties of the Legislative Auditor include recommending the enactment or amendment of statutes based upon the results of audits. During the 2017 Legislative Session, no bills were passed requesting the performance of audits directed towards improving state government. Although, one piece of legislation was passed by the 2015 Legislature and subsequently signed into law by the Governor. The audit report (LA18-02 Department of Education, Use of Class-Size Reduction Funds by School Districts) was presented to the Commission on January 18, 2017. The description and disposition of this legislation is as follows.

		BILL NUMBER	STATUTES OF NEVADA CHAPTER NUMBER
	SCOPE		
AN ACT	Relating to education; requiring the Department of Education to develop certain policies, procedures and guidance related to class-size reduction; requiring the Legislative Auditor to conduct an audit concerning the use of money by each school district for the class-size reduction program; and providing other matters properly relating thereto.	A.B. 278	499

AUDITS REQUESTED BY LEGISLATIVE COMMISSION

During the prior biennium, concerns addressed at legislative committee meetings prompted the request of a special audit to be conducted by the Legislative Auditor. On June 28, 2016, the Legislative Commission authorized an audit of Horse Power, which was released on April 14, 2017 in accordance with NRS 218G.230. The audit reviewed the appropriateness of expenditures and evaluate whether the organization has adequate methods and procedures in place to ensure that grants and expenditures benefit the intended recipients.

Additionally, on August 30, 2018, the Legislative Commission authorized the Legislative Auditor to perform an audit of Supported Living Arrangement (SLA) providers certified by the Aging and Disability Services Division, Department of Health and Human Services. The audit will determine whether certified SLAs provide services to individuals with intellectual or developmental disabilities as defined in statutes.

UNIFORM SYSTEM OF INTERNAL CONTROL

The Department of Administration, in accordance with Chapter 774, Statutes of Nevada, 1987 (S.B. 341), issued regulations in January 1988 requiring each state agency to develop a uniform system of internal accounting and administrative control. Chapter 774 also provides that we include in our biennial report a list of those agencies audited that have not carried out a system of internal controls. The required elements of the system are described in NRS 353A.020. The agencies identified as having deficiencies in its internal accounting and administrative control systems in audits issued between January 1, 2017, and December 31, 2018, are:

DEPARTMENT OF ADMINISTRATION, HEARINGS DIVISION

DEPARTMENT OF ADMINISTRATION, VICTIMS OF CRIME PROGRAM

DEPARTMENT OF BUSINESS AND INDUSTRY, DIVISION OF FINANCIAL INSTITUTIONS

DEPARTMENT OF BUSINESS AND INDUSTRY, DIVISION OF INDUSTRIAL RELATIONS

DEPARTMENT OF BUSINESS AND INDUSTRY, HOUSING DIVISION

DEPARTMENT OF EDUCATION, USE OF CLASS-SIZE REDUCTION FUNDS BY SCHOOL DISTRICTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES, AGING AND DISABILITY SERVICES

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIRECTOR'S OFFICE

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, COMMUNITY-BASED LIVING ARRANGEMENT HOMES

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, COMMUNITY-BASED LIVING ARRANGEMENT HOMES, RESIDENTIAL SERVICES PAYMENTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, MEDICAL MARIJUANA PROGRAM

DEPARTMENT OF PUBLIC SAFETY, INVESTIGATION DIVISION

DEPARTMENT OF PUBLIC SAFETY, RECORDS, COMMUNICATIONS AND COMPLIANCE DIVISION, INFORMATION SECURITY

DEPARTMENT OF TAXATION, INFORMATION SECURITY

DIVISION OF ENVIRONMENTAL PROTECTION, BUREAU OF SAFE DRINKING WATER

HORSE POWER, SPECIAL LICENSE PLATE

NEVADA DEPARTMENT OF WILDLIFE

STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES, DIVISION OF STATE PARKS

STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES, DIVISION OF FORESTRY

COUNT OF MONEY IN STATE TREASURY

NRS 353.060 requires the Legislative Auditor to count the money in the State Treasury at least annually. During this biennium, we conducted the money count on June 30, 2017, and June 29, 2018. Money count reports are filed with the Secretary of State and presented to the Audit Subcommittee. The 2018 money count has been filed with the Secretary of State and is anticipated to be presented to the Audit Subcommittee in early 2019. The following schedule summarizes the money and securities in custody of the State Treasurer as of the close of business, June 29, 2018.

Custodian	On Deposit With Financial Institutions (A)	State Owned Securities (B)	Securities Held For Safekeeping
State Treasurer	\$ --	\$3,317,811,053.28	\$ --
State Treasurer	--	--	1,510,442,439.20
Wells Fargo	117,147,533.82	--	--
Nevada Bank and Trust	50,202.66	--	--
Nevada State Bank	45,691.85	--	--
Washington Federal	88,816.37	--	--
	<u>\$117,332,244.70</u>	<u>\$3,317,811,053.28</u>	<u>\$1,510,442,439.20</u>

Notes: (A) The amounts reported on deposit with financial institutions represent the institution's balance and have not been reduced by outstanding checks or increased by deposits in transit.

(B) Securities are reported at fair market value as determined by the safekeeping entity as of the close of business on June 29, 2018. Fair market value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

ACTIVITIES THAT SUPPORT AND ENHANCE THE AUDIT FUNCTION

PROFESSIONAL DEVELOPMENT

We place great importance on retaining and developing qualified staff. The Audit Division encourages and provides the opportunity for all staff members to develop their professional skills to the fullest extent. Government auditing standards require auditors to complete 80 hours of continuing professional education and training every 2 years. In meeting this requirement, continuing education and training is provided and includes such topics as current developments in audit methodology, governmental accounting, assessment of internal controls, principles of management and supervision, financial management, statistical sampling, performance auditing, program evaluation, and data analysis.

The Audit Division is constantly identifying resources to provide timely professional and technical assistance on accounting, auditing, and program evaluation issues to staff. This also facilitates the development of office policies and procedures relating to professional standards and practices. The ongoing revision of the Audit Division audit manual has resulted in numerous changes to procedures to increase the effectiveness and efficiency of the audit process, while ensuring compliance with applicable professional standards.

As part of professional development, we actively support auditors seeking professional certification and advanced degrees. Most of our professional staff are either certified public accountants or have master's degrees.

QUALITY ASSURANCE

Every 3 years the Legislative Auditor contracts with an external organization to perform a quality control review of the Audit Division's operations. The most recent review was completed in August 2018. We are pleased to report the office received a pass rating on the review, (Appendix A) indicating that our system of quality control is appropriately comprehensive and suitably designed to ensure reasonable compliance with professional audit standards.

INFORMATION TECHNOLOGY

The Audit Division continues to update and expand its capabilities to meet the challenges created by continued advances in information technology. Information technology is an important part of state operations as most functions of government utilize information systems to operate programs, process data, and store important information. Therefore, Audit Division staff must be knowledgeable about software applications and systems. The Audit Division continually improves on methods used to review agencies' operations that utilize information technology to determine if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organizations' goals and objectives.

OTHER SIGNIFICANT RESPONSIBILITIES

FEDERAL AUDIT REQUIREMENTS

The Federal Government, in 1979, transferred the responsibility for auditing federal programs to the state level. As a result, the Legislature, in 1981, created the Audit Subcommittee to address this issue. Public Law 98-502, known as the Single Audit Act of 1984, was enacted to strengthen the audit requirement. The Act was subsequently amended in 1996 in an attempt to further streamline the audit process. Significant revisions to the single audit process were made with the passage of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in 2014.

The Audit Subcommittee has authorized the Legislative Auditor to contract with public accounting firms to audit these federal programs. The Audit Division monitors the work performed by the contracted auditor. The financing of contract audits is provided through the Office of Finance, Office of the Governor, and the Audit Division's budget. During the fiscal year ended June 30, 2017, federal financial assistance expenditures totaled about \$5.4 billion.

SCHOOL DISTRICT REVIEWS

Chapter 482, Statutes of Nevada 2005, provides that to the extent money is made available by the Legislature, every six years each school district undergo a review of its financial management principles unless an exemption is granted by the Legislature. The Legislative Auditor assists the Legislature with selecting school districts for review and may provide the State Board of Education with a list of qualified consultants to perform these reviews. In addition, the Legislative Auditor reviews the final report from each review and the plan for corrective action adopted by the school district. The Legislative Auditor then determines the extent to which the plan has been carried out, and submits a report of this determination to the Legislature.

CHILD WELFARE RESPONSIBILITIES

Chapter 70, Statutes of Nevada 2007, requires child welfare agencies to submit case files to the Legislative Auditor of children who suffer a fatality or near fatality if the child had prior contact with the agency. The Legislative Auditor is required to review the information to determine whether the case was handled in a manner consistent with state and federal law and to determine whether any procedures could have assisted in preventing the fatality or near fatality. This statute also requires the Legislative Auditor to provide certain information about the fatality or near fatality to a member of the public upon request.

Chapter 2, Statutes of Nevada 2009, requires the Legislative Auditor to conduct reviews, audits, and unannounced site visits of residential children's facilities. These facilities include both governmental and private facilities which have physical custody of children pursuant to the order of a court. The purpose of the reviews is to determine if the

facilities adequately protect the health, safety, and welfare of the children in the facilities and whether the facilities respect the civil and other rights of the children in their care.

SPECIAL LICENSE PLATE REVIEWS

Chapter 239, Statutes of Nevada 2007, requires each charitable organization receiving revenue from the issuance of a special license plate, to submit a balance sheet and certain financial records to the Commission on Special License Plates and the Legislative Auditor. The Legislative Auditor is required to review the reported information to determine whether the charitable organization has properly filed the appropriate documentation, committed improper practices of financial administration, and used adequate methods and procedures to ensure all money received was expended solely for the benefit of the intended recipient. The Legislative Auditor reports the results of these reviews annually to the Commission on Special License Plates.

AUDITS OF CERTAIN STATE BOARDS

Nevada Revised Statutes 218G.400 requires boards with annual revenues less than \$200,000 to prepare a balance sheet for that fiscal year and file it with the Legislative Auditor and the Chief of the Budget Division of the Office of Finance. If revenues exceed \$200,000, the board must engage a certified public accountant or public accountant to audit the board's fiscal records of the fiscal year and file the audit report with the Legislative Auditor and Budget Division. Boards may elect to have the audit conducted biennially. The Legislative Commission may also direct the Legislative Auditor to perform an audit of a board's fiscal records. The Legislative Auditor monitors agencies' compliance with these requirements and reviews submissions to identify control weaknesses and violations of law and regulations. A report is submitted by the Legislative Auditor to members of the Legislature every six months detailing boards' failure to report and significant issues identified.

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APPENDICES

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APPENDIX A

EXTERNAL QUALITY CONTROL REVIEW



National State
Auditors Association
An Affiliate of NASACT

PEER REVIEW REPORT

August 24, 2018

Mr. Rocky Cooper, CPA
Legislative Auditor
State of Nevada
401 S. Carson Street
Carson City, Nevada 89701-4747

Dear Mr. Cooper:

We have reviewed the system of quality control of the State of Nevada's Legislative Counsel Bureau - Audit Division (the office) in effect for the period January 1, 2017 through June 30, 2018. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with professional standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all design matters in the system of quality control or all compliance matters with the system. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the State of Nevada's Legislative Counsel Bureau - Audit Division in effect for the period January 1, 2017 through June 30, 2018 has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting in conformity with *Government Auditing Standards* in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. The State of Nevada's Legislative Counsel Bureau - Audit Division has received a peer review rating of *pass*.

Joseph Schussler, CPA, CGFM
Concurring Reviewer
External Peer Review Team
National State Auditors Association

Susan Beeler, CPA, CIA
Team Leader
External Peer Review Team
National State Auditors Association

APPENDIX B

STATUTORY CITATIONS – LEGISLATIVE AUDITOR

NRS

- 218A.051 Legislative Auditor defined.
- 218E.205 Priorities and limitations on studies and investigations.
- 218E.240 Legislative Commission: Audit Subcommittee.
- 218F.100 Creation and composition; appointment of Director and chiefs of divisions.
- 218F.110 General powers and duties.
- 218F.150 Officers and employees of Legislative Counsel Bureau not to oppose or urge legislation; exceptions, conditions and limitations on disclosure of information.
- 218G.010 Legislative declaration.
- 218G.030 Legislative Auditor: “Agency of the state” defined.
- 218G.100 Legislative Auditor: Qualifications.
- 218G.110 Legislative Auditor: Powers and duties.
- 218G.120 Regular and special audits and investigations.
- 218G.130 Legislative Auditor to keep file of reports and releases; confidentiality of working papers from audit.
- 218G.140 Report of improper practices following audit.
- 218G.150 Report of inadequacy of fiscal records.
- 218G.160 Biennial report of Legislative Auditor.
- 218G.200 Audits of state agencies required, duty of agency personnel to assist in audit.
- 218G.210 Books and records of agencies of State: Availability to Legislative Auditor.
- 218G.220 Legislative Auditor: Request for financial statements from agencies of State.
- 218G.230 Audits: Discussion of preliminary audit report with head of agency audited; presentation of final report when Legislature in session.
- 218G.240 Audits: Presentation and distribution of final report; restriction on disclosure.
- 218G.250 Audits: Notice to agency of acceptance of final report; submission of plan for corrective action.

APPENDIX B
STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 218G.260 Audits: Order for withholding money from agency for failure to submit or comply with plan for corrective action.
- 218G.270 Audits: Report on carrying out of recommendations of Legislative Auditor; review of report.
- 218G.330 Audits required by Federal Government: Arrangements with Legislative Auditor; payment of cost of audit; Audit Contingency Account.
- 218G.340 Audits required by Federal Government: Legislative Auditor or private firm may be chosen to conduct audit; procedure for selecting firm; combining of audits.
- 218G.350 Audits to ensure compliance with federal regulations: Selection of firm to perform audit; submission, presentation and distribution of report.
- 218G.400 Preparation of balance sheets by and audit of fiscal records of certain boards; payment of costs; removal of state officer or employee for failing to prepare balance sheet, conduct audit or maintain necessary fiscal records.
- 218G.450 Special audits of certain entities which receive public money.
- 218G.550 Notification of Legislative Auditor of fatality or near fatality of child; review of information; cooperation with Legislative Auditor by agency.
- 218G.555 Legislative Auditor to disclose certain data and information by request; exceptions.
- 218G.570 Performance audits of governmental facilities for children.
- 218G.575 Inspection, review and survey of governmental facilities for children and private facilities for children.
- 218G.580 Scope of inspection, review and survey.
- 218G.585 Duty of facilities to cooperate with inspection, review and survey.
- 218G.590 Duty to report deficiencies of facilities.
- 218G.595 Duty of licensing entity to review whether certain facilities have corrected reported deficiencies.
- 218H.400 Reports by registrant; audit or investigation.
- 232B.235 Audit of certain boards and commissions: Recommendation; duties of Legislative Commission.

APPENDIX B

STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

239C.210	Confidentiality of certain documents, records or other items of information upon declaration of Governor.
277.200	Text of compact. (Tahoe Regional Planning Agency)
353.060	Count of money in state treasury by Legislative Auditor.
353.065	Count of securities and money in custody of State Treasurer.
353.070	Actual money only to be counted.
353.075	Report to be filed following count.
353.080	Failure of Legislative Auditor to perform duties: Penalties.
353.325	Distribution of audit report of state agency.
353A.020	System of accounting and control for agencies: Adoption; elements; modification; development of procedures.
353A.045	Duties of Administrator of Division of Internal Audits. Consult with Legislative Auditor.
387.613	Selection of school districts for financial management review and selection of consultants to conduct reviews.
387.639	Review of school district's report concerning progress on corrective action plan.
387.644	School district's reporting when exempt from review.
463.1593	Regulations concerning financial practices licensees: Duties of Legislative Auditor. (Gaming)
482.38277	Certain charitable organizations to prepare and file certain documents with Commission on Special License Plates; Commission to provide documents to Legislative Auditor; duties of Legislative Auditor with respect to forms and information.
482.38278	Legislative Auditor to present final written report to Commission on Special License Plates; distribution of report; contents of report.
482.382785	Commission on Special License Plates may request audit of certain charitable organizations; Legislative Commission may direct Legislative Auditor to perform audit; Legislative Auditor to prepare written report of audit.

APPENDIX B

STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 482.38279 Determination that charitable organization failed to comply with certain provisions or standards; organization may request hearing; Commission on Special License Plates to issue decision; authority of Commission to recommend that Department suspend collection of additional fees or production of design of special license plate.
- 514A.100 Mining Oversight and Accountability Commission can request special audit or investigation.
- 630.127 Performance audits of Board. (Board of Medical Examiners)
- 645A.050 Duties of commissioner. (Escrow Agencies and Agents)
- 645B.060 Duties of commissioner. (Mortgage Brokers and Mortgage Agents)
- 645E.300 Duties of commissioner. (Mortgage Bankers)
- 692A.117 Confidential Records. (Title Insurance)

OTHER CITATIONS

Article VIII, Section 8.050 Charter for the City of Mesquite

Annual audit of trust funds, accounts, fiscal affairs: Requirements; distribution of copies; expenses. Audit responsibility to Legislative Auditor if City does not obtain audit. (Senate Bill 56, Chapter 325, 2017 Legislative Session)

APPENDIX C

2018 – 2020 BASIC AUDIT PROGRAM

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747



LEGISLATIVE COMMISSION (775) 684-6800
JASON FRIERSON, *Assemblyman, Chairman*
Rick Combs, *Director, Secretary*

INTERIM FINANCE COMMITTEE (775) 684-6821
JOYCE WOODHOUSE, *Senator, Chair*
Mark Krmpotic, *Fiscal Analyst*
Cindy Jones, *Fiscal Analyst*

RICK COMBS, *Director*
(775) 684-6800

BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830
ROCKY COOPER, *Legislative Auditor* (775) 684-6815
MICHAEL J. STEWART, *Research Director* (775) 684-6825

August 7, 2018

Members of the Legislative Commission
Legislative Building
Carson City, Nevada

REQUEST FOR APPROVAL TO PERFORM AUDITS

Schedule 1 lists the audits we currently have in progress. In accordance with Nevada Revised Statutes (NRS) 218E.205, we are requesting your approval to continue these audits as we may not be able to present all of them to the Audit Subcommittee of the Legislative Commission by the start of the 2019 Session.

In accordance with NRS 218G.120, we are requesting your approval of a basic audit program, which is set forth in Schedule 2. For agencies with several major programs, we may perform more than one audit for the agency listed. The timing as to when we can start the audits is contingent upon the availability of audit staff and additional requirements that may be placed upon the Audit Division by the Legislative Commission and the Legislature.

The proposed audits were selected using a risk assessment process. This process considered such factors as the length of time since the last audit, amount of agency revenues and expenditures, legislative and public interest, prior problems, and agency or program complexity. Audits are designed to provide information to improve public accountability and facilitate decision making by the Legislature and those responsible for corrective action. Audit objectives may include determining if an agency is operating in an economical or efficient manner, or determining the extent to which a program achieves a desired level of program results. Audit objectives can also include evaluating agencies' compliance with laws and regulations, and determining if appropriate information technology security controls are in place to protect sensitive information against unauthorized use.

Respectfully requested,


Rocky Cooper, CPA
Legislative Auditor

RC:sy
Enclosures

APPROVED AT THE LEGISLATIVE COMMISSION MEETING ON AUGUST 30, 2018

APPENDIX C

2018 – 2020 BASIC AUDIT PROGRAM (CONTINUED)

Legislative Counsel Bureau
Audit Division
Audits in Progress
August 7, 2018

Schedule 1

- Department of Employment, Training and Rehabilitation — Employment Security Division
- Division of Forestry
- Gaming Control Board
- Division of Public and Behavioral Health — Adult Mental Health Services
- Division of Public and Behavioral Health — Health Care Quality and Compliance
- Department of Public Safety — Records, Communications, and Compliance Division
- Division of State Parks
- Department of Taxation
- Division of Welfare and Supportive Services
- Report on Count of Money in State Treasury
- Review of Governmental and Private Facilities for Children
- Statewide Single Audit

APPENDIX C

2018 – 2020 BASIC AUDIT PROGRAM (CONTINUED)

Legislative Counsel Bureau
Audit Division
Proposed Audits
September 2018 through December 2020

Schedule 2

Department of Administration

- Division of Enterprise Information Technology Services
- Fleet Services Division
- Public Works Division
- Purchasing Division

State Department of Agriculture

Department of Business and Industry

- Office of the Nevada Attorney for Injured Workers
- Division of Insurance
- Office of the Labor Commissioner
- Real Estate Division

Office of the State Controller

Department of Corrections

Office of the Governor

Department of Health and Human Services

- Division of Child and Family Services
- Division of Health Care Financing and Policy
- Division of Public and Behavioral Health

Department of Public Safety

- Division of Emergency Management

Office of the State Treasurer

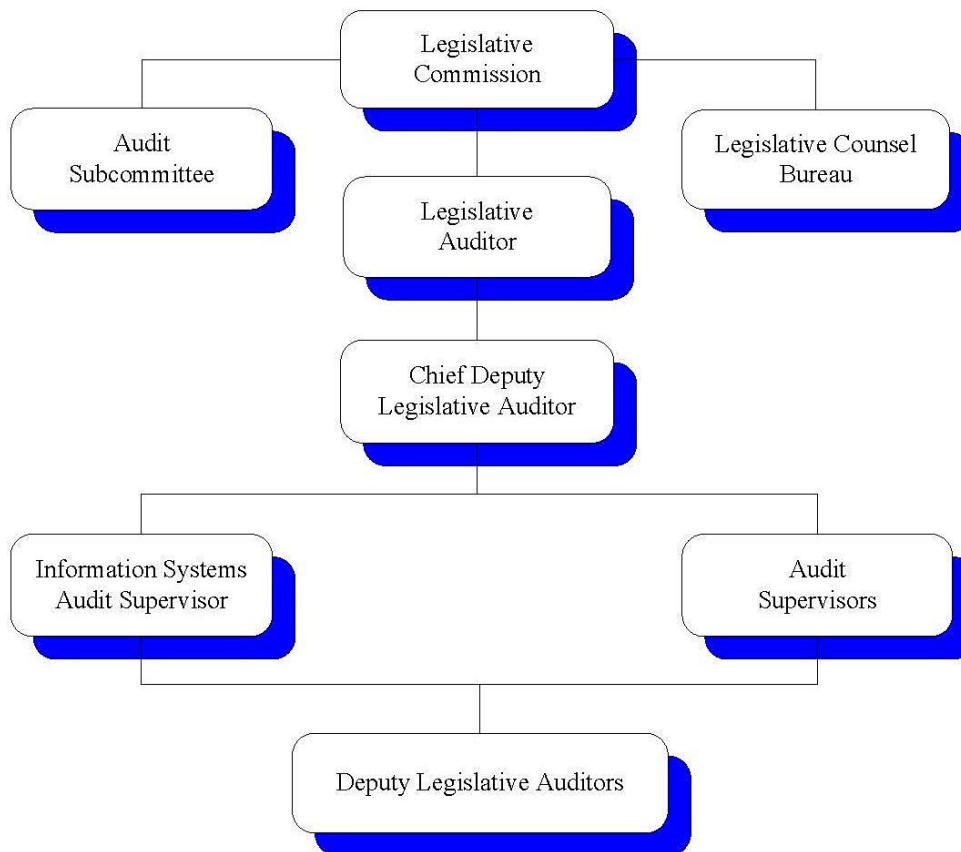
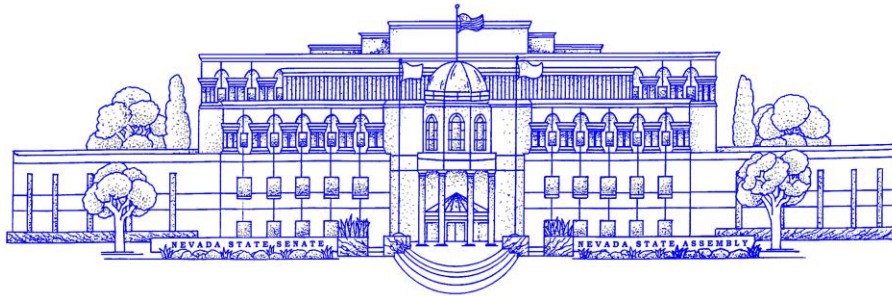
Department of Veterans Services

APPENDIX D

AUDIT DIVISION

ORGANIZATIONAL CHART

LEGISLATURE



APPENDIX D

AUDIT DIVISION (CONTINUED)

HISTORICAL LISTING OF LEGISLATIVE AUDITORS

ROCKY J. COOPER	2015 –
PAUL V. TOWNSEND	2001 – 2015
WM. GARY CREWS	1990 – 2001
JOHN R. CROSSLEY	1978 – 1990
EARL T. OLIVER	1971 – 1978
ROBERT E. BRUCE *	1968 – 1971
NORMAN H. TERRELL *	1963 – 1968
A. N. JACOBSEN	1949 – 1963

The Legislative Auditor is a statutory officer appointed by the Director of the Legislative Counsel Bureau, with the approval of the Legislative Commission for an indefinite term, whose qualifications and duties are defined by law. The Legislative Auditor serves as staff to the Nevada Legislature and its various committees and is the chief of the Audit Division.

* The official title Fiscal Analyst (Chapter 403, Statutes of Nevada, 1963) was used for a period of ten years, 1963–1973 (Chapter 771, Statutes of Nevada, 1973); however, the principal functions and duties were auditing and accounting for the Legislative Branch of Government.

APPENDIX D

AUDIT DIVISION (CONTINUED)

AUDIT DIVISION STAFF

ROCKY J. COOPER, CPA, MBA

LEGISLATIVE AUDITOR

DANIEL L. CROSSMAN, CPA

CHIEF DEPUTY LEGISLATIVE AUDITOR

JANE E. GIOVACCHINI, MS

AUDIT SUPERVISOR

DIANA GIOVANNONI, CPA

AUDIT SUPERVISOR

TAMMY A. GOETZE, CPA

AUDIT SUPERVISOR

TODD C. PETERSON, MPA

AUDIT SUPERVISOR

SHANNON RYAN, CPA

AUDIT SUPERVISOR

S. DOUGLAS PETERSON, CISA, MPA

INFORMATION SYSTEMS AUDIT SUPERVISOR

EUGENE ALLARA, CPA

DEPUTY LEGISLATIVE AUDITOR

JORDAN ANDERSON, MBA

DEPUTY LEGISLATIVE AUDITOR

AMANDA BARLOW, MPA

DEPUTY LEGISLATIVE AUDITOR

A. LILLIANA CAMACHO-POLKOW, MBA

DEPUTY LEGISLATIVE AUDITOR

SHIRLEE EITEL-BINGHAM, CISA

DEPUTY LEGISLATIVE AUDITOR

WILLIAM F. EVENDEN, BS

DEPUTY LEGISLATIVE AUDITOR

DREW FODOR, CIA, MBA

DEPUTY LEGISLATIVE AUDITOR

ZACKARY FOURGIS, MBA

DEPUTY LEGISLATIVE AUDITOR

SARAH R. GASPORRA, BA

DEPUTY LEGISLATIVE AUDITOR

LAURA HARWOOD, MBA

DEPUTY LEGISLATIVE AUDITOR

KATRINA HUMBLICK, MACC

DEPUTY LEGISLATIVE AUDITOR

YURIY IKOVLEV, MBA

DEPUTY LEGISLATIVE AUDITOR

SANDRA T. MCGUIRK, CPA

DEPUTY LEGISLATIVE AUDITOR

DAMEON A. MEEKS, MBA

DEPUTY LEGISLATIVE AUDITOR

JEFFREY MULLEN, MACC

DEPUTY LEGISLATIVE AUDITOR

JENNIFER M. OTTO, MPA

DEPUTY LEGISLATIVE AUDITOR

JAMES T. THORNE, MPA

DEPUTY LEGISLATIVE AUDITOR

SUSAN M. YOUNG, MA

OFFICE MANAGER

DEBORAH ANDERSON, BS

AUDIT SECRETARY

APPENDIX E

SCHEDULE OF REPORTS RELEASED 2017 – 2018

NUMBER	REPORT
18-01	Department of Public Safety, Investigation Division
18-02	Department of Education, Use of Class-Size Reduction Funds by School Districts
18-03	Report on Count of Money In State Treasury, June 30, 2016
18-04	Department of Health and Human Services, Aging and Disability Services Division
18-05	Nevada Department of Wildlife
18-06	Review of Governmental and Private Facilities for Children, January 2017
18-07	Department of Health and Human Services, Division of Public and Behavioral Health, Medical Marijuana Program
18-08	Horse Power, Special License Plate
18-09	Department of Administration, Hearings Division
18-10	Department of Administration, Victims of Crime Program
18-11	Department of Business and Industry, Housing Division
18-12	Department of Public Safety, Records, Communications and Compliance Division, Information Security
18-13	Department of Health and Human Services, Division of Public and Behavioral Health, Adult Mental Health Services, Community-Based Living Arrangement Homes
18-14	Report on Count of Money In State Treasury, June 30, 2017
18-15	Review of Guidelines for Licensing Children’s Facilities, January 2018
18-16	Department of Health and Human Services, Director’s Office
18-17	Division of Environmental Protection, Bureau of Safe Drinking Water
18-18	Department of Business and Industry, Division of Financial Institutions
18-19	Department of Business and Industry, Division of Industrial Relations
18-20	Review of Governmental and Private Facilities for Children, April 2018
18-21	State Department of Conservation and Natural Resources, Division of Forestry
18-22	State Department of Conservation and Natural Resources, Division of State Parks
18-23	Department of Taxation, Information Security
18-24	Department of Health and Human Services, Division of Public and Behavioral Health, Adult Mental Health Services, Community-Based Living Arrangement Homes, Residential Services Payments