

Audit Highlights



Highlights of performance audit report on the Nevada Division of Forestry, Forest Fire Suppression Budget Account issued on January 16, 2025.

Legislative Auditor report # LA26-04.

Background

The Nevada Division of Forestry (NDF) is responsible for the supervision and coordination of all forestry and watershed work on state and private lands in Nevada, including fire control. The Forest Fire Suppression program covers expenses necessary for the protection of life, property, and natural resources from fire, flood, and other disasters and emergencies.

Different types of fire suppression activities incur costs for the State; however, some of those costs are reimbursable depending on the incident type. The Forest Fire Suppression budget account is funded with a combination of General Fund appropriations, county receipts, and reimbursements. The budget account currently comingles the accounting activities associated with fire suppression on Nevada lands and where Nevada provides fire suppression assistance to others on lands outside of the State's financial responsibility.

In fiscal year 2023, NDF had five budget accounts with revenues and expenditures of over \$49.2 million. The Forest Fire Suppression budget account represented about 45% of NDF's total expenditures. As of June 30, 2024, NDF had 205 filled positions. NDF's Incident Business Unit's (IBU) fiscal staff includes six full-time positions and is responsible for processing fire incident billings and invoices for reimbursements.

Purpose of Audit

This audit was required by Senate Bill 480 (Chapter 334, Statutes of Nevada 2023). The purpose of the audit was to evaluate the impact of the Division's billing, collection, and payment practices for the Forest Fire Suppression budget account.

Audit Recommendations

This audit report contains 13 recommendations to ensure forest fire suppression expenditures are tracked and reimbursed timely, budgeting practices improve and cooperator payments are accurate.

NDF accepted the 13 recommendations.

Recommendation Status

NDF's 60-day plan for corrective action is due on April 14, 2025. In addition, the 6-month report on the status of audit recommendations is due on October 14, 2025.

Forest Fire Suppression Budget Account

Nevada Division of Forestry

Summary

A lack of proper oversight resulted in the Nevada Division of Forestry (NDF) requesting more supplemental funding than was necessary to support fire suppression activities in the Forest Fire Suppression budget account. Specifically, millions of dollars in fully reimbursable out-of-state fire incident expenditures were not billed. NDF has started seeking reimbursement for some of these unbilled incidents. When NDF fails to submit reimbursement requests, money due the State is not collected and supplemental funding must be requested. In addition, accounts receivable amounts were not accurately recorded which impact the State's financial statements. NDF does not have an effective process to identify, track, invoice, and collect amounts due the State. Increased oversight of the fire suppression accounting functions will help ensure appropriate funding and help improve state budgeting decisions.

Improvements are needed over accounting and budgeting for NDF's emergency fire expenditures. Current budgeting and accounting methods comingle Nevada's in-state fire suppression costs with costs incurred by Nevada resources assisting with out-of-state fires. Furthermore, the current budgeting formula, established by the Legislature to better understand NDF's funding needs, also comingles Nevada's in-state fire costs with costs of assisting in out-of-state jurisdictions. Finally, the 5-year budgeting formula is not consistently calculated by agencies who help prepare the budget and supporting documentation was not maintained by NDF. An effective budgeting process is necessary to ensure sufficient funds are available to respond to emergencies and efficiently allocate General Fund dollars.

NDF did not sufficiently review WFPP cooperator and other state agency invoices to detect billing errors. In addition, NDF's data on fire incidents was inaccurate and incomplete. Error free invoicing and data is necessary to ensure the accurate accounting of fire costs, to help ensure Nevada is fully reimbursed for its costs to fight fires in out-of-state jurisdictions, and only paying its share of cost-share fire expenditures.

Key Findings

NDF did not bill reimbursable fire suppression expenditures for out-of-state fires. We calculated over \$32 million in reimbursable expenditures that were not billed from responding to other state fire incidents between 2020 and 2024. Specifically, NDF paid WFPP cooperators, but did not bill over \$22.8 million for reimbursements related to 166 fully reimbursable incidents that occurred between fiscal years 2020 and 2023. We calculated another \$1.2 million in NDF personnel and equipment costs were not billed for the same incidents. Finally, over \$7.3 million in additional reimbursable expenditures paid to WFPP cooperators in fiscal year 2024 was not billed for reimbursement. (pages 7 - 8)

For some out-of-state fire incidents that NDF billed, we observed the invoices contained errors or did not include all allowable costs. Specifically, 3 of 15 (20%) invoices sampled were not billed accurately, resulting in an underpayment of over \$542,000 to NDF. Over the 4-year audit period, NDF submitted 11 separate requests for IFC contingency funds, totaling over \$44 million. (pages 9 - 10)

NDF did not accurately record accounts receivable for reporting purposes in the State's financial statements. Accounts receivables were not properly recorded because NDF has not developed a proper aging schedule to track amounts due. We estimate NDF should have reported over \$20 million of additional receivables for fiscal year 2023. This would have had an impact on the State's annual financial statements had our audit not identified the error. (page 11)

The current budget formula used to calculate NDF's biennial authority to pay fire suppression expenditures combines in-state fire costs for Nevada with out-of-state fire suppression costs. Comingling these fire suppression costs does not provide a clear understanding of NDF's funding needs to suppress fires within Nevada. (page 14)

The review of cooperator invoices was inadequate. Our testing identified undetected errors resulting in NDF overpaying cooperators and a partnering state agency about \$285,000. (page 19)

Cost-share fire documentation was not properly reviewed to ensure NDF paid the appropriate costs. We identified four of nine (44%) final adjudicated cost-share amounts billed by NDF were incorrectly calculated, resulting in NDF underbilling other jurisdictions by approximately \$614,000. (page 21)