

STATE OF NEVADA

Biennial Report of the Legislative Auditor



December 31, 2020
Carson City, Nevada

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December 31, 2020

Members of the Nevada Legislature:

I am pleased to report on the activities of the Audit Division for the biennium ended December 31, 2020. 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 "Daniel Crossman".

Daniel L. Crossman, CPA
Legislative Auditor

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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. Maintaining independence is important for findings, conclusions, and recommendations to be viewed as impartial by reasonable and informed third parties. Since the Audit Division is part of the legislative branch of state government, it maintains independence from the agencies it audits as they are primarily executive branch agencies. To further avoid circumstances that could cause third parties to question their independence, Audit Division staff identify and evaluate relationships and threats that could impair independence prior to starting an audit and on an annual basis.

AUTHORITY

The authority and duties of the Audit Division are set forth in Chapter 218G of Nevada Revised Statutes (NRS). NRS gives the Audit Division the power to perform audits of all accounts, funds and other records of all agencies of the State to determine the honesty and integrity of fiscal affairs, accuracy and reliability of information, effectiveness of management controls, and compliance with applicable laws and regulations. The Audit Division may also be directed by the Legislature to perform special audits and investigations.

In addition, statutes require state agencies to make their books, accounts, reports, or other records of information, confidential or otherwise, available to the Audit Division upon request. Because of the sensitive nature of the work, all Audit Division work and related working papers are kept confidential in accordance with statute. (See Appendix E for a comprehensive list of statutes related to the Legislative Auditor.)

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. Agencies are chosen to be audited through the Audit Division's risk assessment-based process. The following factors comprise the criteria when performing the risk assessment. These factors are based on objective data and professional judgement:

- Years From Last Audit
- Budgeted Revenues
- Budgeted Expenses
- Complexity of Agency or Programs
- History of Problems
- Legislative or Public Interest

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 program effectiveness and 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. (See Appendix C for the 2020-2022 basic audit program for the Audit Division.)

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

While not all audit recommendations result in monetary savings for the State, legislative audits have contributed significantly over the years to saving millions of dollars for Nevada's taxpayers. In the past two years, the Audit Division has achieved a return of \$4 for every dollar of audit costs. During the biennium, measurable financial benefits of more than \$31 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 Aging and Disability Services Division realized savings of about \$11.7 million from increasing controls over the costs relating to supported living arrangement and jobs and day training services. During the current biennium, the Department of Taxation identified over \$1.5 million of underpaid taxes from audits of wholesale marijuana tax.

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, we found the Division of Welfare and Supportive Services should improve processes to sooner identify ineligibility for benefits. Ineligible recipients received an estimated \$69 million in improper payments per year. Similarly, weak controls resulted in the Division of Public and Behavioral Health improperly paying for contracted clinical services. Weak controls were also noted for the Fleet Services Division where vehicles were not economically utilized, preventive maintenance of the vehicles was untimely, and fuel cards were not adequately monitored to prevent improper purchases. Moreover, we found the Public Employees' Benefits Program did not always follow state laws and policies for its contracting practices which led to less competition among vendors. This also resulted in an increased risk that the best interests of the State would not be realized, and agency resources would not be used appropriately.

We also found the Bureau of Health Care Quality and Compliance did not conduct complaint investigations or review health care facility reported incidents in a timely manner. Likewise, the State Department of Agriculture did not always inspect commercial weighing and measuring devices in a timely manner to ensure they were operating within acceptable tolerance levels. Additionally, information security controls also need to be strengthened at the Public Employees' Benefits Program and the Department of Public Safety, Records, Communications and Compliance Division to ensure the protection of information systems.

Recommendations made in our prior audits of the Taxicab Authority and Attorney General could result in financial benefits to Nevadans and the public. Recommendations to improve oversight of the taxicab industry are estimated to provide savings to the public of about \$24 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 \$31,000 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 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.

The quality of audits conducted by the Audit Division has been recognized on a national level. The Audit Division has received the National State Auditors Association's Excellence in Accountability Award in the small performance audit category in 2014 and 2019. (See Appendix A for the latest award.)

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 did not report any instances of potential fraud. However, our review of the Board of Massage Therapy's fiscal year 2018 financial statements identified the Board reported a former executive took unauthorized pay in excess of Board-approved compensation. The former executive signed an agreement to pay civil penalties totaling \$25,023 and paid off the amount in June 2020. Additionally, our review of the Board of Examiners for Marriage and Family Therapists and Clinical Professional Counselors' fiscal year 2018 financial statements identified the Board reported a former employee took unauthorized disbursements in the amount of \$4,345. The Board determined the amount to be uncollectible.

RECOMMENDATIONS TO IMPROVE STATE GOVERNMENT

Audit reports issued over the biennium contain recommendations to improve the operations of state government, and all 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. The following summarizes recommendations made and accepted during the past 4 years.

Acceptance of Audit Recommendations				
	Calendar Year			
	2017	2018	2019	2020
Recommendations Made	45	108	33	79
Recommendations Accepted	42	108	33	79
Acceptance Rate	93%	100%	100%	100%

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 6-month status reports directly with the Legislative Auditor. The Office of Finance, Office of the Governor, prepares 6-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 2020, we received 14, 6-month status reports addressing the status of 113 recommendations. Our analysis of these status reports and additional information provided to the Audit Subcommittee through the follow-up process indicates that 111 recommendations processed during the biennium were fully implemented. Two of the 6-month reports, containing one partially implemented and one non-implemented recommendation, 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 current biennium, audits resulted in two recommendations to the Legislature, which are summarized below.

Legislative Recommendation			
Report Name	Page No.	Recommendations Made	Resulting Legislation
LA20-02: Review of Governmental and Private Facilities for Children, December 2018	30	The Legislature may wish to consider enacting legislation to require psychiatric hospitals that provide 24-hour care, psychiatric residential treatment facilities, and facilities for the treatment of abuse of alcohol or drugs and that provide residential treatment to children who have been placed in a facility pursuant to an order of a court to require staff who have direct contact with children be trained on specific topics.	No legislation passed related to this recommendation.
LA20-06: Department of Health and Human Services, Aging and Disability Services, Division, Supported Living Arrangement Program	10	Because dual certification (SLA and CBLA) may not be efficient for SLA providers serving clients with intellectual or developmental disabilities, and that have a mental health related diagnosis, the Legislature may want to consider amending NRS 435 to allow SLA providers to serve these individuals, provided that SLA staff receive adequate training to care for the clients' mental health needs.	Assembly Bill 471, passed on May 14, 2019, allows SLA providers to serve any person with a primary diagnosis of an intellectual or developmental disability, including a person who has a secondary diagnosis other than an intellectual or developmental disability.

During the 2019 Legislative Session, a bill was passed requesting the performance of audits directed towards improving state government. One piece of legislation was passed by the 2019 Legislature and subsequently signed into law by the Governor. The audit report of certain services provided to persons with autism spectrum disorders is currently in progress and expected to be presented in early 2021. The description and disposition of this legislation is as follows.

SCOPE		BILL NUMBER	STATUTES OF NEVADA CHAPTER NUMBER
AN ACT	Relating to disability services; requiring the Legislative Auditor to conduct an audit of the Medicaid program concerning the delivery of certain services; and providing other matters relating thereto.	S.B. 174	507

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 August 30, 2018, the Legislative Commission authorized an audit of providers of Supported Living Arrangement (SLA) services certified by the Aging and Disability Services Division of the Department of Health and Human Services. The audit was released on March 19, 2019, in accordance with NRS 218G.230. The audit determined whether SLA provider homes served individuals with intellectual or developmental disabilities as defined in NRS 435.3315, and to evaluate the living conditions at SLA provider homes.

Additionally, on December 30, 2019, the Legislative Commission authorized the Federation of State Medical Boards to conduct a performance audit of the State Board of Medical Examiners. Upon completion of the Federation's audit, the Audit Subcommittee of the Legislative Commission may direct the Legislative Auditor to conduct additional audit procedures on the State Board of Medical Examiners. The objective of the audit will be determined subsequent to the completion of the Federation's audit.

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2019–2020 BIENNIUM IN REVIEW

AUDIT HIGHLIGHTS

Over the biennium the Audit Division issued 26 audit and other reports relating to the operations of state government and other governmental agencies. (See Appendix B for a list of audit reports issued during the biennium.) 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 2019–2020 Biennium. The full text of each report and audit highlights including the significant findings can be found on the Audit Division website at: www.leg.state.nv.us/audit. In addition, our website provides additional information including: State of Nevada Single Audit Report; reports on audits of certain state boards; child fatality reviews; and external quality control reviews.

AUDIT REQUESTED BY LEGISLATIVE COMMISSION

DEPARTMENT OF HEALTH AND HUMAN SERVICES

AGING AND DISABILITY SERVICES DIVISION, SUPPORTED LIVING ARRANGEMENT PROGRAM

The Aging and Disability Services Division's (Division) processes help ensure providers of Supported Living Arrangement (SLA) homes serve the intended population as defined in statute. While all of the Division's clients have a primary diagnosis of an intellectual or developmental disability, many clients also have mental health diagnoses. Documentation showed these clients were receiving treatment for their mental health diagnoses. Although the public has expressed concerns that SLA providers are housing clients outside of their statutory authority, we found SLA providers are housing only Division clients with a primary diagnosis of an intellectual or developmental disability. To improve operations, we found the Division can take steps to strengthen its record keeping practices regarding the location of homes and the accuracy of active client placements. Finally, our unannounced visits to 87 provider homes found these homes were generally clean, safe, and in good repair.

Because NRS 435 does not specifically indicate whether SLA providers are authorized to also serve individuals with additional diagnoses related to mental health, we obtained a legal opinion. Based on how the statutes are currently written, it is the opinion of the Legislative Counsel Bureau's Legal Division that SLA providers need to also be certified

as community-based living arrangement (CBLA) providers when serving intellectually or developmentally disabled individuals who also have mental health diagnoses. Because dual certification as an SLA and CBLA provider may not be an efficient practice, the Legislature may want to consider amending statute to allow SLA providers to serve clients who also have mental health diagnoses, provided that SLA staff receive adequate training to care for these clients.

- All of the Division's active clients in fiscal year 2018 had a diagnosis of an intellectual or developmental disability as defined under NRS 435. Many of these clients had other diagnoses, including mental health related diagnoses, for which the Division also provided support. Besides ensuring only qualified clients are served by the Division, the application process helps ensure the Division places intellectually or developmentally disabled clients with its certified SLA providers.
- Although the SLA program serves individuals with a primary diagnosis of an intellectual or developmental disability, many of the individuals served have multiple diagnoses, including mental health diagnoses. For 53 of 100 client files tested, there was evidence that these clients had at least 1 mental health related diagnosis. Because many individuals in the SLA program also have mental health diagnoses, the Division helps ensure services are obtained to support these diagnoses. These services help ensure individuals with mental health diagnoses receive services, either through medication management or periodic visits with a psychiatrist or psychologist. We examined all 53 client files and found that their mental health diagnoses were either being medically managed, or they visited with professionals to address their mental health needs.
- Providers of 24-hour SLA homes housed only Division clients. We physically inspected 87 of 379 (23%) SLA homes certified by the Division, and located throughout the State, and did not find any evidence of non-division clients residing in the homes. The Division's quality control processes help ensure SLA providers' 24-hour homes house the intended population.
- The Division did not always have up-to-date information regarding SLA client placements. While the Division had two systems for tracking client placements, neither system contained accurate placement information. Based on our testing, the error rates for both systems exceeded 12%. The Division's policies and procedures did not address record keeping practices related to client placement. Strong record keeping practices are needed to reduce the risk that clients' locations will be unknown and SLA provider homes will not be inspected.
- The Division's contracted SLA provider homes were generally clean, safe, and in good repair. We performed unannounced visits at 24-hour SLA homes throughout Nevada. For 76 of 87 (87%) homes inspected, we did not observe any conditions that would affect the health or safety of the individuals living in the homes. For the other 11 homes inspected, most of the issues observed were minor or were not frequently present in multiple homes. The Division has implemented controls to help ensure SLA homes meet certain standards. Based on our review, these controls are working as intended.

AGENCY AUDITS

DEPARTMENT OF ADMINISTRATION

FLEET SERVICES DIVISION

Weak controls hinder the Division from ensuring the economical utilization of its fleet. Vehicles on long term assignments in calendar year 2018 were frequently driven less than the required annual minimum miles for fleet vehicles. When agencies underutilize assigned vehicles, the average cost per mile becomes excessive. Further, many vehicles had untimely preventive maintenance, potentially compromising vehicle performance and safety. Deficiencies in the Division's vehicle utilization monitoring and related processes are similar to the findings in our 2010 audit.

While the Division's controls over procurement cards were adequate, monitoring of fuel card purchases to reduce the risk of improper charges was not sustained after our prior audit in 2010. Testing of monthly fuel card purchases for 60 vehicles showed 13% had unusually low miles per gallon (mpg) ratios. In addition, the Division did not maintain accurate listings of outstanding fuel cards. Fuel purchases for fiscal year 2019 were nearly \$1.4 million.

- Many of the vehicles on long-term assignment to agencies did not meet the State's minimum use requirements for miles driven. Specifically, for calendar year 2018, 168 vehicles or approximately 26% of the nonemergency vehicles did not meet minimum mileage requirements. While some vehicles may have met usage requirements in terms of days driven, the data on days driven was not always obtained or accurate.
- The Division does not actively monitor long-term vehicle assignments for underutilization. Staff informally notify the Administrator of low-use vehicles, in terms of miles driven, but reports of low usage vehicles are not prepared and exception information is not communicated to the user agencies or to the Department of Administration.
- Agencies pay considerably more per mile for vehicle rentals when their long-term vehicles are underutilized. For the 10 most underutilized vehicles in calendar year 2018, agencies' rental costs ranged from \$4.44 to a high of \$71.71 per mile.
- Fleet Services does not have complete usage information on its long-term vehicles. First, the Division does not have the necessary data and does not calculate the percentage of days the vehicles were used, an alternative to the mileage requirement. Second, the Division does not track information on which user group, pooled or individual, its long-term vehicles are assigned. Without knowing the user group, the Division cannot accurately determine underutilization.
- Preventive maintenance on Division vehicles was not always performed timely. We noted 10 of 25 (40%) vehicles we tested did not have timely required services, such as an oil change, lube, and vehicle inspection. This is a repeat audit finding from our 2010 audit, which reported a 30% exception rate for untimely preventive maintenance.

The Division does not have adequate monitoring of fuel card usage for its vehicles. Testing of fuel transactions for 60 vehicles revealed 8 (13%) instances of low mpg ratios. Specifically, each vehicle's mpg fell below the Environmental Protection Agency's range for city and highway driving by more than 2 mpg.

- The Division did not maintain an accurate listing of outstanding fuel cards. The Division's listings of fuel cards for its two fuel vendors dated May 2019, showed 68 more fuel cards than anticipated.

DEPARTMENT OF BUSINESS AND INDUSTRY

REAL ESTATE DIVISION

The Division's financial and administrative controls over revenues are inadequate. Specifically, there are limited system controls in the Division's database to prevent users from making changes to licensees' accounts to misappropriate cash, or to detect fraud once it has occurred. Furthermore, internal control procedures designed to compensate for the lack of system controls are not being adhered to by supervisors and staff. Additionally, the Division's procedures for processing refunds and reconciling revenues received and posted to real estate licensees' accounts and the state accounting system are inadequate. In fiscal year 2019, the Division collected over \$8 million in licenses and fees, with 6% being cash collections. A lack of controls over revenues leaves the Division vulnerable to fraud and errors.

The Division has not provided effective oversight of broker trust fund accounts. Specifically, the Division only tracks submissions and assesses fines to a subset of the broker population, when all brokers are required to submit annual forms regarding their trust accounts or attest to the lack thereof. In addition, for the brokers who do submit trust account reconciliations, the Division's review of the documentation is inadequate and inconsistent. Inadequate records or failure to maintain control of trust funds can result in theft, commingling, or misuse of trust account funds.

The Division does not actively pursue collections of past due accounts and continues to have difficulty monitoring and submitting debt timely to the State Controller. Similar problems with collections were reported in our prior two audits in 2000 and 2009. Additionally, the Division's internal tracking spreadsheets are inaccurate, affecting collections on accounts and reporting of accounts receivable by the State Controller. In fiscal year 2019, the Division's three commissions levied nearly \$3 million in fines, but only collected \$130,000 of that amount (a 5% collection rate). If the Division does not actively pursue past due amounts early, the likelihood of collecting debt decreases with time.

- Controls over voiding cash receipts and for making other adjustments to real estate licensees' accounts within the Division's database are inadequate. Specifically, there is no segregation of duties within the database; thereby, allowing employees to add or delete revenues from an account without any record of the edits to the account. In fiscal year 2019, 7% of all transactions processed in the Division's database were voided.

- The Division lacks controls to ensure refunds are posted timely to its database, and that only valid refunds are posted and issued. In fiscal year 2019, the average number of days between a refund check being issued from the state accounting system and the refund being entered into the Division's database was 140 days. The longest refund examined took 2,661 days to post in the Division's database, or nearly 7 years after the check was already issued. Without adequate controls over refunds, there is a higher risk of refunds being duplicated, or that credits in the system could be used to conceal theft.
- The Division's current practice only holds brokers that manage properties accountable for submitting trust account information annually. However, regulation requires all brokers to report trust account information, or attest that they do not manage trust accounts. Brokers that are property managers are less than half of the population within the State, but are the only ones held accountable for reporting by the Division. Brokers that are property managers and do not comply with reporting requirements may be fined thousands of dollars, while brokers that are not property managers are not fined nor requested to report.
- The Division's procedures for monitoring trust accounts are inadequate and ineffective. For 13 of 19 (68%) broker trust account reconciliations tested, we observed the information reported to the Division was incomplete or contained unallowed accounting entries. In addition, the Division does not have an effective process to track and verify all trust accounts are reported, and to help ensure brokers do not hide fraudulent activities. Without proper monitoring of trust accounts, individuals may be at risk from broker misconduct.
- Over the last 5 fiscal years (2015-2019), the Division submitted debt for collections with the State Controller, on average, 1.9 years after the debt became 60 days past due, with the longest in our testing taking 6.7 years. In addition, the Division has not maintained accurate accounts receivable information for reporting outstanding amounts to the State Controller.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, ADULT MENTAL HEALTH SERVICES, PAYMENTS TO CONTRACTOR AND STATE-EMPLOYED PSYCHIATRISTS AND PSYCHOLOGISTS

The Division needs stronger program oversight for payments to psychiatrists and psychologists (clinicians) to improve accountability by its contractors and employees. In many instances, supporting documentation was not available to verify hundreds of hours paid to the clinicians. Better monitoring of hours worked will enhance accountability by clinicians that work at inpatient and outpatient settings. Furthermore, \$167,000 was improperly paid over a period of years to two psychiatrists that claimed on-call pay when they were ineligible.

The Division also needs stronger internal controls over contracting for clinical services to reduce the risk of overpayments. Contract rates were not adequately documented for two large staffing contractors with State Purchasing Division contracts. In addition, payments were processed to staffing contractors and contract clinicians despite rate discrepancies or incomplete documentation in 19 of 65 (29%) payments we tested. Finally, abuse of travel expenses went unchecked for the payments we tested to a contractor that provided interpreter services to a SNAMHS patient.

- A significant portion of the hours billed by inpatient contractors, primarily at SNAMHS, could not be verified as worked. For 23 payments to contractors, 702 of 1,344 hours billed (52%) were unsupported. Management stated the unverified time was linked to SNAMHS' policy of permitting offsite work, which clinicians "self-reported" without any documentation requirements. In contrast, NNAMHS' management did not permit offsite work.
- Similar issues with lack of accountability for hours claimed were noted for state-employed clinicians assigned to inpatient facilities. For the 13 paychecks of inpatient employees we tested, comparison of the daily hours paid to building controlled access records and to the employees' usage data in the Avatar system, showed there was no accountability for 346 of 878 (39%) regular hours worked. Furthermore, there was no requirement for state-employed clinicians to be accountable for the offsite time.
- We identified concerns over the propriety of certain payments to psychiatrists in management positions at NNAMHS and SNAMHS. First, improper payments totaling over \$167,000 for on-call pay were made for many years to two state-employed psychiatrists in management positions at SNAMHS. One of these individuals received on-call pay for 363 days in fiscal year 2017, by claiming the pay for on-call duties at both NNAMHS and SNAMHS, and while taking annual and administrative leave from the individual's management job at SNAMHS. Second, NNAMHS uses an independent contractor to fill an administrative position. The contractor's responsibilities include administrative powers over employees that may qualify as an employment relationship with the State, rather than independent contractor status.
- Contract rates were not adequately documented for two large staffing contractors that NNAMHS and SNAMHS paid over \$3.4 million in 2017. NNAMHS staff indicated managers determine the rates based upon comparable state positions, but the process was undocumented. SNAMHS staff had a similar explanation and had no documentation of negotiated rates for psychiatrists and psychologists. When agencies utilizing staffing contractors do not document standardized rates or the rationale for the agreed-upon rates, there is an increased risk that favoritism or bias may result in paying a higher rate than necessary.
- Questionable and incorrect billing rates were noted for 13 of 65 (20%) payments to staffing contractors and contract clinicians. For example, six payments were to a NNAMHS staffing contractor that received \$190 per hour for a specific licensed psychiatrist. This was the highest contract rate for a licensed psychiatrist that we noted. NNAMHS' file documentation showed the rate increase was done by separate contract, so as not to set a precedent concerning the going rate for other contract clinicians.

- The Division did not adequately monitor travel and hours worked by a contractor to prevent improper payments. Abuse of travel expenses went unchecked concerning a contractor that provided certified deaf and hearing interpreter services to a SNAMHS patient at the Stein Forensic Unit. We found over \$2,300 in travel claims exceeded amounts allowed by the State and the vendor's contract. In addition, \$5,520 was paid for interpreter services that were unsupported. Review of payment voucher documentation showed SNAMHS fiscal personnel did not understand the state travel requirements and approved the billings without adequate supporting documentation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF PUBLIC AND BEHAVIORAL HEALTH, BUREAU OF HEALTH CARE QUALITY AND COMPLIANCE

The Bureau's controls related to the protection of criminal history record information (CHRI) and personally identifiable information need improvement. Some CHRI was unprotected and accessible by all Division employees. Additionally, the Bureau did not ensure Social Security numbers and other personal information it received was restricted to appropriate employees. By not properly securing sensitive personal information, the Bureau is leaving individuals vulnerable to their personal information being misused or disseminated without their consent.

The Bureau's controls related to oversight of certain regulatory activities need strengthening. For instance, some of the Bureau's complaint investigation procedures were not conducted timely and not all investigative notifications were sent in accordance with policies. In addition, the Bureau's process to review facility reported incidents needs improvement, including creating additional internal controls to ensure reviews are timely and documented appropriately. Additionally, the Bureau did not follow the Division's performance evaluation policies and record keeping standards related to out-stationed staff that work remotely. Finally, the Bureau needs to continue its efforts to reduce its backlog of periodic inspections.

- The Bureau did not adequately protect CHRI stored on shared network drives. We found 7,269 child care facility employee background check files were maintained on a shared network drive, with the information accessible by all 1,457 employees within the Division. We reviewed 100 of the 7,269 child care facility employee background check files, and found 7% contained the full background check report including CHRI, 98% contained the applicant's Social Security number, and 87% contained only a determination of employment eligibility and not the full CHRI.
- The Bureau needs to improve its practices of electronic document storage for personally identifiable and sensitive information. The Bureau maintained documents related to facility reported incidents on a shared network drive that contained sensitive information such as Social Security numbers and health information. These files were accessible by all Bureau employees. We tested 75 incident files and found 46 (61%) contained a Social Security number.

- The Bureau was not in compliance with its policies related to timeliness in conducting complaint investigations, timeliness in notifying the facilities of complaint results, and sending the complainant notices related to the investigation. We tested 75 complaints and found that of the 62 cases that required an on-site investigation, 21 (34%) were not investigated timely. We also found the Bureau was unaware of 21 (2%) complaints that had not been investigated.
- The Bureau did not conduct reviews of facility reported incidents in a timely manner, did not adhere to policies and procedures outlining oversight of facility reported incidents, and did not have appropriate internal controls for ensuring facility reported incidents are reviewed timely and are not overlooked. We tested 75 facility reported incidents received during calendar year 2017 and found 59 (79%) were not reviewed timely.
- The Bureau is not in compliance with Division policies and procedures relating to its out-stationed employees who work remotely. We found 19 of the 26 employees (73%) did not have a current performance evaluation within the prior 12 months, 8 employees (31%) did not receive a performance evaluation prior to starting their out-stationed assignment, and 5 employees (19%) did not have a signed out-stationed agreement on file for 2017.
- During the December 2017 Interim Finance Committee (IFC) meeting, the Bureau reported an inspection backlog of 300 health care facilities. In April 2018, the Bureau reported the backlog was reduced to 249 facilities. After analyzing the Bureau's backlog tracking process, we can provide reasonable assurance the reported information is accurate and reliable. However, the Bureau needs to continue its efforts to reduce the backlog of health care facility inspections.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF WELFARE AND SUPPORTIVE SERVICES

Generally, the Division is properly assessing available information at the time eligibility is determined for most programs, but should improve its processes over identifying unreported wages and wage increases. Utilizing quarterly wage information more robustly could identify ineligibility sooner. Additionally, system notifications of changes in recipient circumstances should be reviewed timely. Even though health and welfare programs are largely funded by the federal government, the State should have processes to restrain unnecessary benefits as much as possible.

Enhancing the use of quarterly wage information can potentially reduce millions in improper payments. Projecting the results of our testing to the population of Medicaid and SNAP recipient households, we conservatively estimate ineligible recipients received benefits worth more than \$69 million per year, but amounts could potentially be much higher. Unless recipients self-report changes in income timely, most of these improper payments are not preventable by the Division using available wage information.

The Division can improve its processes over detecting, deterring, and recovering improperly paid public assistance benefits. First, the Division does not adequately prioritize investigations and overpayment claims. As a result, a significant backlog exists. Second, the Division does not fully utilize its fraud detection system to identify misuse or fraud. Finally, certain reports generated to identify recipients receiving benefits in multiple states contained inconsistent information.

- Recipients did not always notify the Division of income changes as required. Because of this, and the fact that Division systems do not routinely compare quarterly wage information, increases in income went undetected by the Division. Program agreements state recipients must report income changes to the Division.
- During the audit, we reviewed Employment Security Division quarterly wage data during participants' annual eligibility periods for 50 of the over 417,000 Medicaid recipient households. We found 11 households had unreported increases in income for one or more quarters.
- We requested the Division of Health Care Financing and Policy provide information on benefits paid for the 11 households and found \$54,321 in ineligible benefits paid on recipients' behalf. We conservatively estimate ineligible recipients may have received more than \$59.8 million in Medicaid benefits per year based on population totals. Only a small portion of Medicaid payments, about 20% may be prevented by the Division.
- Our testing also included 50 of over 234,000 SNAP recipient households. Six households had unreported increases in income for one or more quarters. We requested the Division provide information on benefits paid for the six households in our sample with increased income and found \$10,095 in excess benefits were paid. We conservatively estimated ineligible recipients may have received more than \$9.5 million based on population totals. These excess benefit payments were likely unpreventable by the Division for the SNAP program due to the timing of wage information.
- The Division frequently did not clear system generated notifications regarding changes in recipient circumstances within 10 days. Some notifications do not appear overly useful. This volume of low value notifications imparts the Division's ability to review and take action on relevant issues.
- As of June 2019, the Division had a backlog of 3,800 unassigned investigation leads. These leads were open for an average of 1,023 days and 90% were more than a year old. Additionally, over 5,300 claim referrals remained unestablished pending a review. Claims had been open for an average of 559 days with about half open more than 1 year.
- The Division contracted with a data analytics service in 2017 to enhance fraud detection in the SNAP program. However, the Division has not fully determined the fraud detection reports most useful to its operations or developed policies and procedures over the use of the program and related reports. As a result, fraud and abuse is likely more prevalent in the program than identified under existing processes.

DEPARTMENT OF TAXATION

MARIJUANA REGULATION AND ENFORCEMENT

The Department needs to improve its regulation and oversight of the marijuana industry. For instance, the Marijuana Enforcement Tracking Reporting and Compliance (METRC) information system was not accurate or complete. This system is central to the Department's regulation of the industry and maintaining an accord with federal authorities because it is the primary way marijuana cultivation, production, and sales are tracked to prevent diversion and inappropriate activity. Because data in the system is not accurate and complete, it cannot be utilized to verify marijuana tax returns, which did not always appear to be correct. Inaccurate and incomplete data occurred partly because effective monitoring and oversight of the system has not been performed by the Department and guidance has not been provided to licensees. Additionally, the Department has not identified how METRC can be efficiently used, nor has it implemented procedures to identify inappropriate licensee activity. Finally, enhancements to the cash collection process are necessary due to the increase in marijuana taxes.

Marijuana regulation and enforcement is a new and emerging function for the Department. Therefore, an efficient and effective regulatory program is necessary to ensure licensees comply with laws and regulations and the industry withstands federal scrutiny. Because METRC is not used to its capabilities, efficiency is lost, and it is difficult for the Department to determine the resources needed to effectively regulate the program.

- The Department does not reconcile METRC data to licensee inventory records or tax returns to ensure data in the system is accurate or complete. We compared the tax returns of 10 cultivators and 5 dispensaries to METRC data for the 6-month period spanning January to June 2018, and found the following:
 - For wholesale marijuana tax returns filed by cultivators, METRC data did not agree about 70% of the time.
 - For retail marijuana tax returns filed by dispensaries, METRC data did not reasonably compare about 57% of the time.
 - For sales tax returns filed by dispensaries, METRC data did not reasonably compare about 60% of the time.
- Variances reflecting lower inventory sales and transfers in METRC indicate licensees are not recording all appropriate transactions in METRC. Conversely, sales and transfer totals in METRC exceeding that reported on tax returns suggests tax collections may be improper or inadequate.
- Current procedures performed by the Department do not involve reviewing the accuracy of waste data entered in METRC. As a result, 9 of 10 cultivators tested did not enter data, or entered meaningless information into the system that was not identified and corrected by the Department. Monitoring waste data is important for preventing marijuana products from being diverted outside the regulated system.

- Products designated for medical cardholders due to the tetrahydrocannabinol (THC) content exceeding statutory limits were sold to recreational consumers. Specifically, we found 262 of 610 (42.9%) single units of medical products tested were sold inappropriately. The Department did not identify or follow-up with licensees regarding inappropriate sales because THC content is not consistently reported in METRC and the Department is not monitoring for these types of activities.
- Procedures have not been developed to ensure medical marijuana products are accounted for under the proper license in METRC. The Department indicated high potency products should only be associated with a medical license. However, we found dual-licensed facilities are not always associating products or consumer sales to the correct license. As a result, inappropriate sales cannot be easily identified.
- The Department is not effectively using METRC to monitor production waste amounts. Our analysis of nine cultivators revealed significant fluctuations in the percentage of product recorded as waste during the harvest process. The average waste percentage calculated for individual cultivators varied from a low of 7.9% to a high of 54.3%.
- METRC's system notifications, which could assist the Department by flagging irregular transactions, have not been activated. METRC allows regulatory agencies to setup custom notifications based on a variety of parameters. When notifications are not active, errors and adjustments made by the licensees are not automatically brought to the attention of the Department.

NEVADA GAMING CONTROL BOARD

The Board's Audit Division (Division) has efficiently, effectively, and equitably administered state laws concerning the financial practices of gaming licensees. The Division sufficiently regulated licensees' compliance with gaming laws and regulations by requiring licensees to have sufficient internal controls, and by effective report monitoring and efficient audits. The Division has maintained its effectiveness in conducting audits and performing other responsibilities. Although the Division effectively monitors licensees and continually meets its long-standing performance goal of auditing licensees at least every 2.5 years, the efficiency of its audit process can improve by implementing electronic audit workpapers.

The Board has an effective process for the collection of gaming taxes and fees. During fiscal year 2018, the Board collected over \$866 million in gaming taxes and fees, while maintaining a collection rate of more than 99%. Additionally, the Board administered transferable tax credits and distributions of gaming taxes and fees in accordance with state laws. The Board's computer system provides key controls in the collection process. The system correctly calculates gaming taxes due, verifies payment amounts are accurate, identifies delinquent licensees, and accurately accounts for each type of gaming tax revenue.

- The Board has adopted regulations to strengthen the internal control systems at Nevada casinos. Strong internal controls are important to ensure licensees: (1) properly report revenues; (2) comply with gaming laws, regulations, and policies; and (3) provide accurate financial reports. The Audit Division is responsible for ensuring casinos fulfill internal control and financial reporting requirements.
- The Audit Division's monitoring of reports ensured licensees submitted required reports. Gaming regulations require licensees submit various types of internal control and financial reports. We reviewed 100 reports submitted by 20 of 144 Group 1 licensees during fiscal year 2018. Although our testing revealed 4 of the 100 reports were not submitted timely, the Division adequately monitored licensees and promptly requested delinquent reports, which resulted in submission.
- The Audit Division has maintained its effectiveness in conducting audits and performing other responsibilities. Our review of performance information found the Division maintained valid and reliable information to manage its activities. Information on the Division's operations is essential to providing effective oversight, ensuring efficient use of resources, and for identifying areas needing improvement.
- Although the Audit Division has provided effective regulatory oversight of its licensees, implementing electronic audit workpapers can improve the efficiency of the Board's audit process. Currently, staff carry several large paper files containing current and prior audit workpapers to each licensee location. Audit supervisors are unable to review staffs' work remotely; therefore, must wait for the auditor to return to review their work. Benefits of electronic audit workpapers include increased accessibility, improved tracking, faster review and reporting, better security, and less paper. Implementing electronic workpapers would allow for greater productivity, efficiency, and collaboration.
- The Board has strong controls over the collection of gaming taxes and fees. We selected 50 payments, totaling more than \$45.3 million, from percentage fee tax, entertainment tax, quarterly nonrestricted slot tax, quarterly games tax, and annual slot and games tax. These types of taxes made up 98% of total gaming taxes and fees collected in fiscal year 2018. The Division also appropriately distributed gaming taxes and fees to other state agencies and counties, and applied transferable tax credits to amounts due in accordance with state law. In addition to the Board's controls, strict gaming laws and regulations ensure licensees submit appropriate fees or risk losing their gaming license.

OFFICE OF THE GOVERNOR

NEVADA OFFICE OF THE WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION

The Office does not have strong controls to ensure participants meet contractual obligations, including repaying program fees and fulfilling in-state practice requirements. For example, the Office does not adequately monitor if participants report on meeting practice requirements or verify if information received is accurate. Additionally, incomplete data and limited collection activities could result in participants not repaying loans. Office files did not contain evidence of practice requirements for approximately \$1.6 million in grants to participants. Stronger controls can help maintain program viability for future students and address critical workforce shortages in Nevada.

Financial transactions were not always recorded nor were participant records accurate and complete. For instance, the Office did not reconcile advances or payment records between the state accounting system and the loan processing system. As a result, about \$116,700 in transactions were incorrectly recorded between the two systems. Additionally, 67% of files contained errors such as missing or inaccurate payments, incorrect dates, and loans with an improper status. Better controls would help ensure financial integrity and sustainability, and may increase staff efficiency as well.

The Office does not have clear documentation on the division of roles and responsibilities between Office staff, the Office of Science, Innovation and Technology (OSIT), and the Commission. Furthermore, many of the issues noted in this report occurred because policies and procedures were insufficient or not followed. As a result, important programmatic and accounting functions did not occur.

- The Office does not adequately monitor participants to ensure they meet in-state professional practice requirements. Participants who do not return to practice in Nevada must repay the grant. Over 41% of participant files tested did not have current documentation showing compliance with requirements. Statute requires participants to provide documentation regarding practice obligations annually. However, the Office does little to ensure participants comply or grants are repaid when obligations are not met. As a result, revenue from grant repayments decreased from \$197,000 to \$70,000 between fiscal years 2017 and 2018.
- Graduation dates in the loan processing system were not always complete. About \$45,200 in program fees remain uncollected because the Office does not have adequate controls over data accuracy. The Office's loan processing system will not require repayment of program fees unless valid graduation dates are entered.
- The Office does not adequately follow up on past due loans. Seventeen loans, totaling \$94,700 were past due as of February 2019. The Office can perform collection activities earlier which may prevent accounts from becoming severely delinquent.

- The loan processing system contained significant errors. Many of the errors noted could have been identified if the Office performed reconciliations of its financial transactions. Three advances paid during fiscal year 2018, totaling \$36,000, were never recorded in the system. Furthermore, the Office applied \$68,000 more to participant accounts than was actually paid. Finally, the Office did not receive nearly \$10,000 from the contracted loan processor for payments made on participant accounts. Because funding is limited, the recovery of amounts due is essential to the program's continued operation.
- The Office did not calculate interest on advances correctly because amounts were not entered into the loan software timely or accurately. In total, about \$15,000 in interest on 51 accounts was not calculated by the system and automatically applied to participant accounts.
- The Office does not have adequate documentation on the division of roles and responsibilities between Office staff, OSIT, and the Commission. Additional clarity would enhance programmatic and accounting functions, such as following up with participants on their contractual obligations and protecting financial data accuracy.

OFFICE OF THE STATE TREASURER

UNCLAIMED PROPERTY PROGRAM

The Unclaimed Property Program can strengthen certain processes over entities reporting abandoned property and claims to recover assets. Internal controls over the reporting process do not ensure unclaimed property reports and payments are processed timely. The Program's lack of enforcing policy for submitting unclaimed property payments via its online reporting system contributed to unprocessed reports and payments. Further, the Program lacked sufficient oversight of its automated claims system to ensure system reports were monitored for fraud and that the system was functioning properly. Stronger controls can help the Program ensure unclaimed property is promptly processed.

The Program can improve controls over the unclaimed property system and inventory. Specifically, controls are needed to ensure edits to critical data documenting ownership of unclaimed property are appropriate. Additionally, the Program should segregate duties over system and user access. Finally, inventory controls are needed for processing and recording safe deposit box contents in the unclaimed property system. Strong controls will help protect system data from unauthorized use and modifications and ensure safe deposit box contents are safeguarded.

- We identified a backlog of 397 unclaimed property reports received between fiscal years 2016 and 2019. We tested 37 of the 397 unprocessed unclaimed property reports and found for 16 or 43% of the reports, Program staff did not perform timely research to identify why the report was not processed, and 7 or 19% of the reports reappeared in the system after being processed and removed by staff. Timely processing of unclaimed property reports is important to ensure collection of payments from the holders.

- The Program needs to revise internal controls to segregate duties and maintain appropriate documentation for the deletion of holder reports from the unclaimed property system. Eight of ten reports revealed the same person deleted the report and approved the transaction. Additionally, most lacked sufficient documentation to substantiate the reason for deleting the report.
- The Program did not ensure payments were received and posted timely in the unclaimed property system. The Program did not post 358 payments totaling \$374,000 in property, dividends, and sales of unclaimed securities collected between fiscal years 2016 and 2019. The time frame payments were unposted ranged between 128 days to about 4 years. When unclaimed property payments are not posted, the property is not assigned to its rightful owner in the state's unclaimed property system.
- The Program's manual review of fast track claims was insufficient. Policies were not detailed or sufficient to ensure automatic processes were functioning as intended. The Program strengthened its process in April 2019 after our inquiries. The revised review process identified one instance when the system inappropriately released a claim to the wrong person and two instances where criteria used by the fast track system was inappropriate.
- The Program was not reviewing fast track claims reports developed in response to our prior audit. The Program developed two reports to monitor fast track claims in response to the fraud identified. However, the Program did not sustain implementation of the recommendation and could not provide evidence the reports were being generated or reviewed.
- Property data edits in the unclaimed property system were not reviewed as recommended in our 2010 and 2015 audits. The purpose of reviewing edits is to verify inappropriate changes are not being made to data in the system.
- The Program did not adequately monitor access to its unclaimed property system. Routine reviews of system access were not performed, and a current list of authorized users was not maintained.
- The Program did not maintain accurate and complete inventory records for the contents of unclaimed safe deposit boxes. We tested 35 safe deposit boxes and were unable to locate 14 items from 4 of the 35 boxes tested. Additionally, our observation of the Program's vault identified 6 of 20 savings bonds not recorded in inventory.
- Cash submitted with the contents of safe deposit boxes was not deposited in accordance with statute. In fiscal year 2019, a total of \$84,000 in cash was recovered from unclaimed safe deposit boxes. We found the cash deposits associated with these safe deposit boxes were made between 28 to 132 days late. Additionally, it took the program between 27 and 163 days to record tangible items contained in safe deposit boxes.

PUBLIC EMPLOYEES' BENEFITS PROGRAM

CONTRACT MANAGEMENT

The Public Employees' Benefits Program's (PEBP) contracting practices changed over the past several years, focusing more on amending and extending contracts through private negotiations instead of competitive procurements. While contract amendments may be appropriate in some circumstances, for the most part, amendments should be infrequent and not utilized as a default to extend contracts and procure services worth hundreds of millions of dollars. State law creates the PEBP board giving it responsibility for ensuring contracting practices comply with laws and policies, and to help ensure the proper use of agency resources. However, PEBP's contracting practices did not always follow state laws and policies as some amendments significantly modified contracts' scopes of work and contracts were extended without proper approvals. Furthermore, some wasteful spending of agency resources occurred. Without proper contracting practices and agency oversight, there is increased risk the best interests of the State and PEBP participants will not be realized, and agency resources will not be used appropriately.

- Between fiscal years 2015 and 2019, PEBP authorized nearly \$96 million in contract services that were not competitively bid through a Request for Proposal (RFP) process, as PEBP began to focus more on extending contracts. For 14 of 19 active service contracts in fiscal year 2019, PEBP amended these contracts to extend them beyond the original contract term, with some extended more than once. As a result, the average contract term increased from almost 5.5 years to over 8.5 years, with two contracts having 11-year terms. Under PEBP's management of the past 5 years, 23 contract extensions were performed and only 12 RFPs. State policy indicates contracts should be competitively solicited at least every 4 years. While PEBP claims a longer contract term is more desirable for some contracts, amending and extending contracts indefinitely does not help ensure the State and PEBP participants receive the best value.
- Private negotiations became a standard practice as PEBP's management extended vendor contracts for multiple years. Some negotiations took place through direct contact with vendors or by emails. For one contract, negotiations included two vendor paid trips, at the request of PEBP management, in which PEBP employees received transportation, lodging, and meals worth more than \$7,000. Following the second trip, a significant scope modification occurred and the contract was extended 2 years. The amendments and contract extension occurred despite PEBP management and staff dissatisfaction with the vendor's performance. Not only does accepting gifts violate state ethics laws and policies, but it increases the risk of fraud and that contracting decisions will not be in the best interest of the State or PEBP's participants.

- PEBP management claimed that competitive bidding for contracts was unnecessary as they performed regular market checks to determine the value of the services their current vendors were providing. However, market checks were only performed multiple years for one vendor, and showed PEBP was paying more than other plans of similar size. In addition, cost savings was used to justify several contract extensions, after vendors agreed to lower pricing in exchange for added years to their contract terms. Market checks and cost savings should not be used to supplant bidding processes since additional value and savings may be received through competition.
- PEBP's board did not provide adequate oversight of contracting practices as it approved significant modifications to contracts' scopes of work and changes to PEBP's policies and procedures that placed less emphasis on competitive procurement. In addition, 6 of 18 contract extensions took place without State Purchasing's approval or being discussed at a PEBP Board meeting; thereby, circumventing state policy and law.
- During our testing, we observed some agency expenditures were unnecessary and not an efficient use of agency resources. For instance, PEBP allocated over 620 hours and nearly \$51,000 to obtain business awards and an accreditation. It is the responsibility of PEBP's Board and management to ensure funds are spent appropriately.

STATE DEPARTMENT OF AGRICULTURE

DIVISION OF CONSUMER EQUITABILITY

The Division of Consumer Equitability within the State Department of Agriculture does not have effective policies, procedures, or controls related to oversight of weighing and measuring devices. Specifically, the Division did not always perform inspections in a timely manner or take enforcement action for devices found to be out of tolerance. Additionally, invoicing was not consistent or compliant with regulation, and sanctions were not applied to locations that failed to pay. Finally, policies and procedures need to be developed for Division processes. The lack of effective policies, procedures, and controls leaves consumers vulnerable to deficient weighing and measuring devices.

- Overall, about 9% of all locations with weighing and measuring devices were operating without assurance that these devices were within acceptable tolerance levels. Inspections protect the public from overpaying for product not received, most notably for motor vehicle fuel. As part of our audit, we tested 85 locations and found:
 - Seven inspections (8%) were not performed timely. Specifically, two locations had not been inspected in the past 24 months and five locations received inspections late.
 - Of 12 locations that required a follow-up inspection due to irregularities identified during a routine inspection, 3 locations (25%) never received a follow-up inspection and 2 follow-up inspections (22%) were performed late.
- The Division did not place a device out-of-service when found to be out of tolerance, and there is no enforcement action taken when these devices are prematurely placed back into service. Regulations require authorization from the Division, or a registered service agent, before previously malfunctioning devices may be used by consumers.

- Invoices were not always generated when required. Five of eight complaints (63%) were not invoiced the fee for a follow-up inspection. Per NAC 581.210, the Division is to charge for the retest of a malfunctioning device. Invoicing issues result from manual processes and lack of supervisory oversight and review.
- The Division did not always apply late fees timely to invoices in accordance with regulation. In one instance, we found late fees were not applied until nearly a year after fees were due.
- The Division has the authority to assess civil penalties and remove devices from service for any violation of NRS 581; however, the Division has not developed enforcement methods to entice payment of annual fees that remain unpaid. By allowing devices to remain in service when fees remain habitually unpaid, the Division promotes inequity among regulated entities. Furthermore, the perceived authority of the Division is eroded when entities do not comply with regulations and increasing enforcement actions are not imposed.
- Significant improvements to operations can be realized by developing and implementing policies and procedures for key processes. The Division had limited, if any, documented policies and procedures for program functions. Limitations include the inspection, complaint, and invoicing processes. Policies and procedures help retain institutional knowledge, ensure consistency, and provide clear expectations for staff and management.
- An updated system, or implementation of electronic inspection software, can help the Division perform regulatory duties more efficiently and effectively. The current system houses location and device information, but has limited functionality and is not readily accessible by inspectors. Inspectors currently operate using a paper-based record keeping system. This outdated system has resulted in inspections being overlooked, and untimely and inaccurate information being input into the system.

INFORMATION SECURITY AUDITS

DEPARTMENT OF PUBLIC SAFETY

RECORDS, COMMUNICATIONS AND COMPLIANCE DIVISION, INFORMATION SECURITY - ADDENDUM (SERVERS, OPERATING SYSTEM AND DATABASE APPLICATION SOFTWARE)

An addendum to report LA18-12 was necessary because security vulnerabilities existed in certain information systems within the Records, Communications and Compliance Division (Division). Providing details regarding those vulnerabilities, at the time we published the original report, would have unnecessarily exposed those information security weaknesses. Since the Division has performed sufficient corrective actions, we issued an addendum as a supplement to our original report.

Many of the Division's servers had critical security vulnerabilities due to outdated and unsupported software. The Division did not ensure that operating systems and database application software were upgraded to supported versions in a timely manner. As software becomes outdated, the Division can no longer rely on security updates or technical support to keep software current. Knowing key dates in a software asset lifecycle plan ensures an organization makes informed decisions about when to upgrade or make other changes to its software. Without proper software upgrade planning, the Division compromises security, performance, and overall efficiency.

- As of August 2016, 19 of the Division's 97 servers were running outdated Windows operating system software with critical security vulnerabilities. Also, seven of the servers were running outdated Oracle database software. There were no current security updates available, as the vendors no longer supported the versions of software installed.

PUBLIC EMPLOYEES' BENEFITS PROGRAM, INFORMATION SECURITY

The Public Employees' Benefits Program (PEBP) needs to strengthen its information system controls to ensure adequate protection of information systems and information processed therein. By taking action to address these control weaknesses, PEBP can better protect its physical resources, minimize security vulnerabilities, and ensure continuation of critical services.

Control weaknesses included: 1) inadequate security over computers and network devices, such as computers missing operating system and anti-virus updates; 2) not adequately managing users, including lack of account review and non-compliance with background check and security awareness training requirements; and 3) incomplete security related plans, such as lack of a current IT contingency plan and documentation of data recovery process.

- PEBP is not monitoring the status of operating system updates on its computers and laptops. The application which PEBP utilizes to automate operating system updates did not successfully deploy updates to 13 of the 20 computers and laptops we tested. This problem went undetected as staff were not routinely verifying whether updates

were installed successfully. Staff acknowledged additional training in the administration of the systems management application is needed to gain more familiarity with the system and its capabilities.

- PEBP is not ensuring its computers and laptops are current with anti-virus software. The application which automates anti-virus deployment was not successfully deploying virus definition updates to 24 of the 55 computers we tested. This problem went largely undetected as staff were not routinely verifying updates were installed successfully and were not familiar with the anti-virus management application.
- Weaknesses exist in managing PEBP's network accounts. Of PEBP's 110 network accounts, we identified 64 active user and service accounts that should be reviewed to determine their need. PEBP was disabling user accounts upon employee departure; however, it did not perform routine account maintenance to remove obsolete accounts.
- PEBP is not routinely reviewing user access privileges in five of its critical applications and user access is not removed in a timely manner. These applications contain personal identifying information. During our analysis of the critical applications, we determined that although PEBP had established a procedure for revoking user access upon employee termination, it was not being followed.
- Background checks were not completed for PEBP's IT contractors. During our system account review, we identified three IT contractor accounts. We determined none of these IT contractors had background checks conducted as part of their hiring process, although PEBP conducted routine background checks on employees. These IT contractors had access to important information systems containing sensitive information.
- Fourteen of PEBP's thirty-three employees have not received their annual security awareness training. Seven had no record of ever taking the training. During the course of the audit, we determined none of PEBP's three IT contractors received security awareness training as required by state security standards. Security awareness training helps ensure employees, consultants, and contractors are aware of their responsibilities in protecting state information.
- PEBP's system recovery and business continuity plan does not include sufficient information to enable its management to restore its critical services due to a system, application, or hardware malfunction. We determined PEBP's plan is not reviewed annually and has not been kept up to date. The plan references obsolete equipment and software inventory listings. Staff indicated the plan has been in place for some time and is outdated. PEBP must be able to continue to provide critical services should a situation occur that renders resources inaccessible.
- PEBP's data recovery procedures have not been adequately documented. Without adequate documentation, PEBP cannot develop comprehensive recover procedures for each system, application, and associated data.

REVIEWS REQUIRED BY STATUTES

NRS 218G.570 – 218G.585

REVIEW OF GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN, DECEMBER 2018

Based on the procedures performed and except as otherwise noted, the policies, procedures, and processes in place at the two 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. However, we identified several areas for improvement at both facilities.

We also conducted unannounced site visits to eight children's facilities. At one facility, Northwest Academy, we observed several issues that prompted us to question whether the facility adequately protected the health, safety, and welfare of the youths at the facility. As a result, we contacted Northwest Academy's licensing agency, the Bureau of Health Care Quality and Compliance, to express our concerns.

- Statutes do not require most health facilities licensed by the state's Bureau of Health Care Quality and Compliance (HCQC) to ensure employees who have direct contact with children are trained in certain areas specific to children. This includes private psychiatric hospitals that provide 24-hour care to children, facilities for the treatment of abuse of alcohol or drugs that provide residential services to children, and psychiatric residential treatment facilities. In contrast, training is required by law for employees at state-operated psychiatric hospitals (NRS 433B.175), governmental and private child care facilities and institutions (NRS 432A.177), group foster homes (NRS 424.0365), and correction and detention facilities (NRS 63.190 and NRS 62B.250) which includes:
 - Controlling the behavior of children;
 - Using force and restraint on children;
 - Suicide awareness and prevention;
 - Rights of children in the facility;
 - Other matters affecting the health, welfare, safety, and civil and other rights of children in the facility; and
 - Working with lesbian, gay, bisexual, transgender, and questioning children.
- The Legislature may wish to consider enacting legislation to require psychiatric hospitals that provide 24-hour care, psychiatric residential treatment facilities, and facilities for the treatment of abuse of alcohol or drugs and that provide residential treatment to children who have been placed in a facility pursuant to an order of a court to require staff who have direct contact with children be trained in areas specific to children.

REVIEW OF GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN, JANUARY 2020

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 other two facilities provide only marginal 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 the youths in their care.

We also conducted unannounced site visits to 11 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 8 of the facilities. At two facilities, we observed conditions that caused us to question the welfare of the youths in its care. Based on our observations, we contacted the facilities' licensing agency. The licensing agency initiated corrective actions. At one facility, we observed several issues that caused us to question whether the facility adequately protected the health, safety, and welfare of the youth in its care. Based on our observations, we contacted the facility's licensing agency. The facility was subsequently closed.

- The most common and significant weaknesses noted at the four facilities reviewed included:
 - Consent to Administer Psychotropic Medication – We found issues at all four facilities related to the statutorily required consent of the person legally responsible for the psychiatric care of the child prior to administering psychotropic medications (NRS 432B.4687 and 432B.4688).
 - Annual Medication Training – Not all foster parents or employees received annual training on medication administration, or did not receive the training timely, at three of the four facilities.
 - Background Investigations – Three facilities' policies and procedures were incomplete, inaccurate, or non-existent.
 - Complaints – All four facilities need to update their policies and procedures.
- In December 2019, we sent a letter to 56 of the 58 facilities listed in Appendix D of the report informing them of the requirements for obtaining consent from the person legally responsible prior to administering psychotropic medications. In addition, we asked the facilities to respond whether their policies and procedures address the statutory requirements and whether each employee who administers medication had received a copy of the policies and procedures and understood the consent requirements. As of December 31, 2019, we had received responses from 42 facilities stating their policies and procedures do address the statutory requirements and all employees who administer medication had received a copy of the policies and procedures and understood the consent requirements. Of the remaining 14 facilities:

- Three facilities confirmed their policies and procedures address the statutory requirements, but did not address whether all employees received a copy or understood the consent requirements.
- One facility confirmed it does have policies and procedures to address the statutory requirements and it is in the process of distributing a copy to employees.
- Three facilities confirmed they are in the process of updating policies and procedures, even though staff have received a copy and understand the consent requirements.
- One facility responded it does not have policies and procedures addressing the statutory consent requirements.
- Six facilities did not respond.

COUNT OF MONEY IN THE 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 28, 2019, and June 30, 2020. Money count reports are filed with the Secretary of State and presented to the Audit Subcommittee. The 2020 money count has been filed with the Secretary of State and is anticipated to be presented to the Audit Subcommittee in early 2021. The following schedule summarizes the money and securities in custody of the State Treasurer as of the close of business, June 30, 2020.

Custodian	On Deposit With Financial Institutions (A)	State Owned Securities (B)	Securities Held For Safekeeping
State Treasurer	\$ --	\$4,503,581,987.30	\$ --
State Treasurer	--	--	2,103,565,856.55
Wells Fargo	356,762,731.00	--	--
Nevada Bank and Trust	77,826.07	--	--
Nevada State Bank	75,506.10	--	--
Washington Federal	59,639.30	--	--
	<u>\$356,975,702.47</u>	<u>\$4,503,581,987.30</u>	<u>\$2,103,565,856.55</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 30, 2020. 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.

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, 2019, and December 31, 2020, are:

DEPARTMENT OF ADMINISTRATION, FLEET SERVICES DIVISION

DEPARTMENT OF BUSINESS AND INDUSTRY, REAL ESTATE DIVISION

DEPARTMENT OF HEALTH AND HUMAN SERVICES, AGING AND DISABILITY SERVICES
DIVISION, SUPPORTED LIVING ARRANGEMENT PROGRAM

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL
HEALTH, ADULT MENTAL HEALTH SERVICES, PAYMENTS TO CONTRACTOR AND STATE-
EMPLOYED PSYCHIATRISTS AND PSYCHOLOGISTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF PUBLIC AND BEHAVIORAL
HEALTH, BUREAU OF HEALTH CARE QUALITY AND COMPLIANCE

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF WELFARE AND SUPPORTIVE
SERVICES

DEPARTMENT OF PUBLIC SAFETY, RECORDS, COMMUNICATIONS AND COMPLIANCE DIVISION,
INFORMATION SECURITY - ADDENDUM (SERVERS, OPERATING SYSTEM AND DATABASE
APPLICATION SOFTWARE)

DEPARTMENT OF TAXATION, MARIJUANA REGULATION AND ENFORCEMENT

OFFICE OF THE GOVERNOR, NEVADA OFFICE OF THE WESTERN INTERSTATE COMMISSION FOR
HIGHER EDUCATION

OFFICE OF THE STATE TREASURER, UNCLAIMED PROPERTY PROGRAM

PUBLIC EMPLOYEES' BENEFITS PROGRAM, CONTRACT MANAGEMENT

PUBLIC EMPLOYEES' BENEFITS PROGRAM, INFORMATION SECURITY

STATE DEPARTMENT OF AGRICULTURE, DIVISION OF CONSUMER EQUITABILITY

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 most recent audit of the fiscal year ended June 30, 2019, federal financial assistance expenditures totaled about \$5.86 billion. Findings related to state agencies are summarized below.

Single Audit Findings by State Agency			
State Agency	Number of Findings	Number of Repeat Findings ⁽¹⁾	Percent of Repeat Findings
Division of Child and Family Services	9	8	89%
Division of Welfare and Supportive Services	5	1	20%
Department of Education	5	2	40%
Department of Employment, Training and Rehabilitation	5	2	40%
Department of Veteran Services	4	0	0%
State Public Charter School Authority	3	2	67%
Division of Health Care Financing and Policy	2	1	50%
Division of Public and Behavioral Health	2	1	50%
Department of Wildlife	1	0	0%

(1) Repeat findings are generally due to timing differences. Specifically, an agency will not have its findings meeting with the contracted auditor until months after the agency's prior fiscal year ended. By the time the agency is made aware of an issue, they are already operating with the issue present during the current fiscal year. Hence, the same issue will be reported as a repeat finding during the following year's audit.

SCHOOL DISTRICT REVIEWS

Chapter 482, Statutes of Nevada 2005, provides that to the extent money is made available by the Legislature, every 6 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, under certain conditions.

Chapter 2, Statutes of Nevada 2009, requires the Legislative Auditor to conduct performance audits of governmental facilities for children, as directed by the Legislative Commission. In addition, the Statutes of Nevada requires the Legislative Auditor conduct inspections, reviews, and surveys of 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 6 months detailing boards' failure to report and significant issues identified.

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 indicating that our system of quality control is appropriately comprehensive and suitably designed to ensure reasonable compliance with professional audit standards. (See Appendix D for the quality control review report.)

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.

APPENDICES

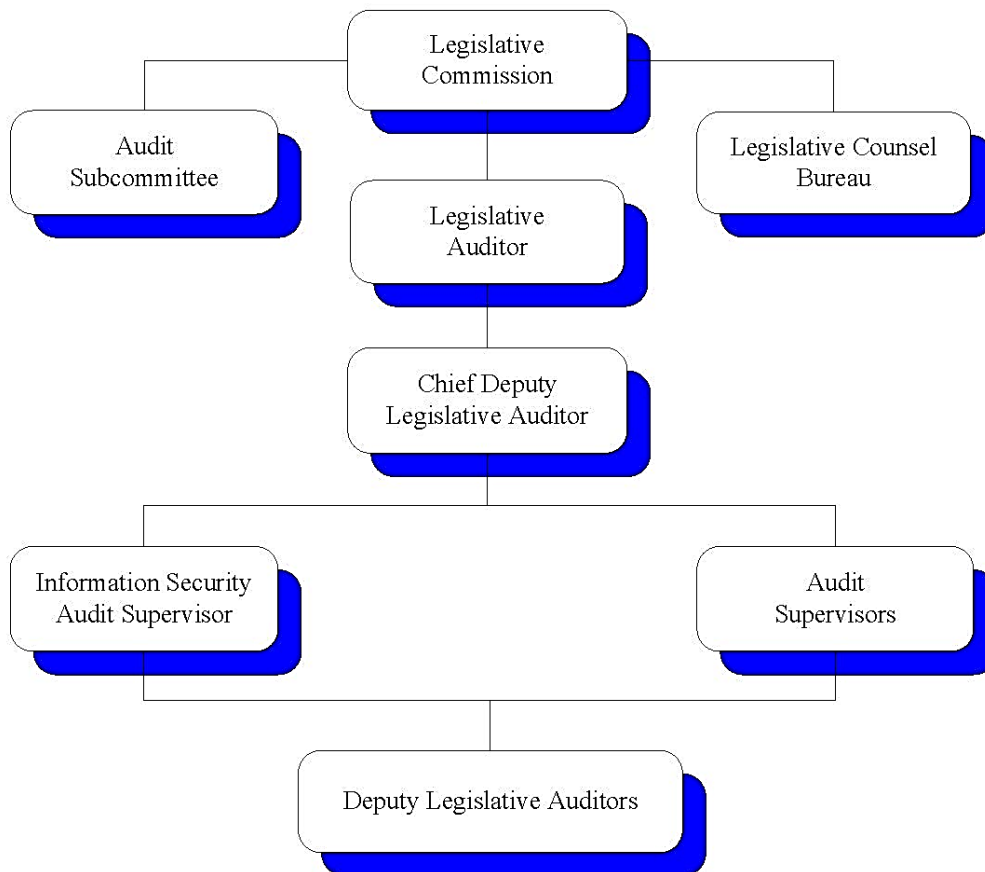
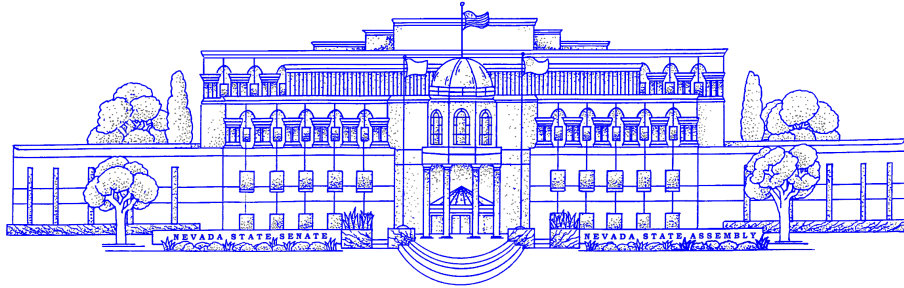
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APPENDIX A

AUDIT DIVISION

ORGANIZATIONAL CHART

LEGISLATURE



APPENDIX A
AUDIT DIVISION (CONTINUED)

HISTORICAL LISTING OF LEGISLATIVE AUDITORS

DANIEL L. CROSSMAN	2019–CURRENT
ROCKY J. COOPER	2015–2019
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 A

AUDIT DIVISION (CONTINUED)

AUDIT DIVISION STAFF

DANIEL L. CROSSMAN, CPA

LEGISLATIVE AUDITOR

SHANNON RIEDEL, CPA

CHIEF DEPUTY LEGISLATIVE AUDITOR

TAMMY A. GOETZE, CPA

AUDIT SUPERVISOR

SHAWN P. HEUSSER, CIA, MPA

AUDIT SUPERVISOR

SANDRA MCGUIRK, CPA

AUDIT SUPERVISOR

TODD C. PETERSON, MPA

AUDIT SUPERVISOR

S. DOUGLAS PETERSON, CISA, MPA

INFORMATION SECURITY AUDIT SUPERVISOR

SHIRLEE EITEL-BINGHAM, CISA

DEPUTY LEGISLATIVE AUDITOR,
INFORMATION SECURITY

SARAH R. GASPORRA, BA

DEPUTY LEGISLATIVE AUDITOR,
INFORMATION SECURITY

JOSEPH ABITTAN, MPA

DEPUTY LEGISLATIVE AUDITOR

EUGENE ALLARA, CPA

DEPUTY LEGISLATIVE AUDITOR

AMANDA BARLOW, MPA

DEPUTY LEGISLATIVE AUDITOR

MARIA BEVERS, MBA

DEPUTY LEGISLATIVE AUDITOR

A. LILLIANA CAMACHO-POLKOW, CIA, MBA

DEPUTY LEGISLATIVE AUDITOR

WILLIAM F. EVENDEN, MS

DEPUTY LEGISLATIVE AUDITOR

ZACKARY FOURGIS, MBA

DEPUTY LEGISLATIVE AUDITOR

LAURA HARWOOD, MBA

DEPUTY LEGISLATIVE AUDITOR

KATRINA HUMLICK, CPA, MACC

DEPUTY LEGISLATIVE AUDITOR

YURIY IKOVLEV, CPA, MBA

DEPUTY LEGISLATIVE AUDITOR

SCOTT JONES, PhD

DEPUTY LEGISLATIVE AUDITOR

CHRIS KELLY, 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, CCM

DEPUTY LEGISLATIVE AUDITOR

SUSAN M. YOUNG, MA

OFFICE MANAGER

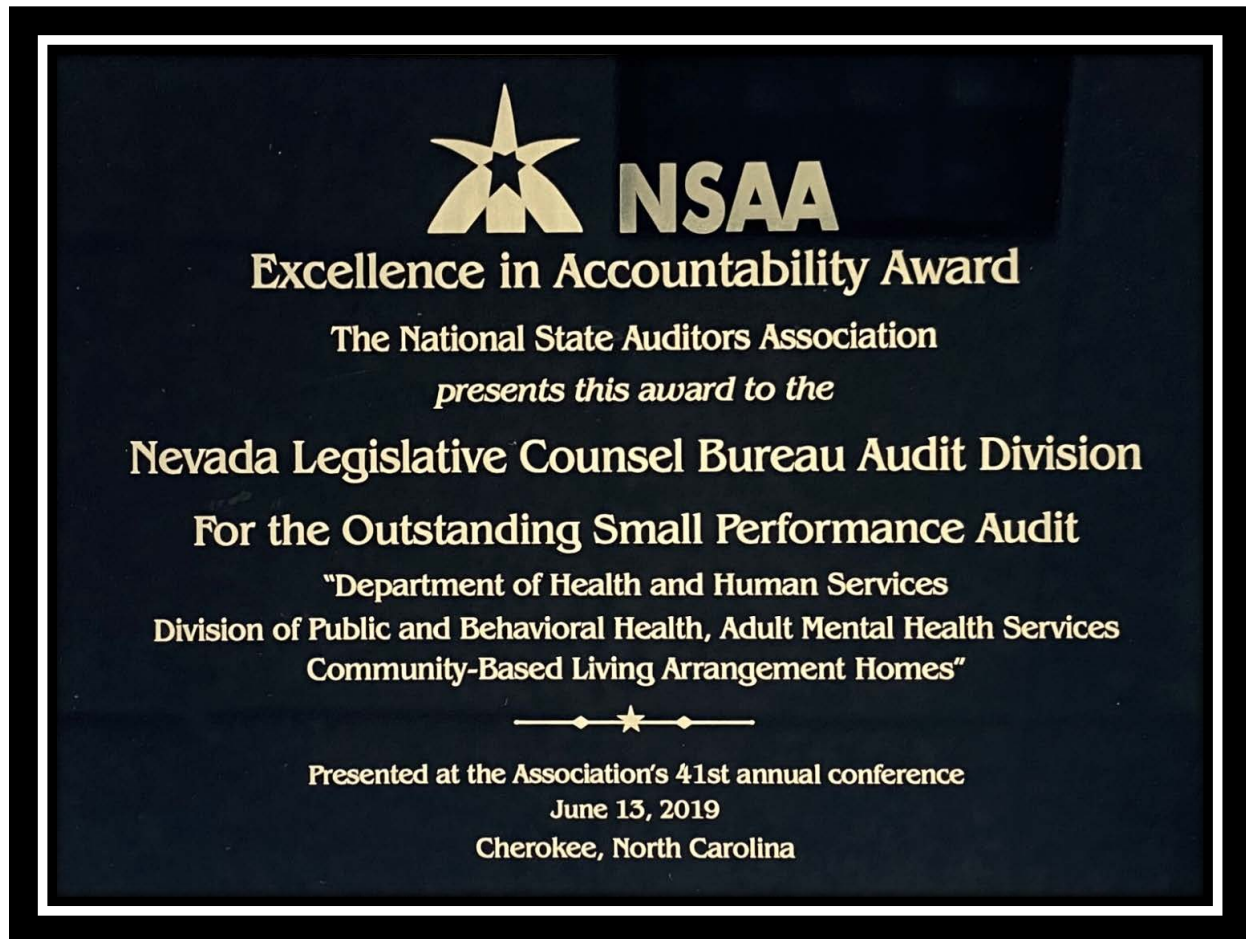
DEBORAH ANDERSON, BS

AUDIT SECRETARY

APPENDIX A

AUDIT DIVISION (CONTINUED)

EXCELLENCE IN ACCOUNTABILITY AWARD



APPENDIX B

SCHEDULE OF REPORTS RELEASED 2019–2020

NUMBER	REPORT
18-12A	Department of Public Safety, Records, Communications and Compliance Division, Information Security - Addendum (Servers, Operating System and Database Application Software)
20-01	Report on Count of Money In State Treasury, June 29, 2018
20-02	Review of Governmental and Private Facilities for Children, December 2018
20-03	Department of Health and Human Services, Division of Public and Behavioral Health, Bureau of Health Care Quality and Compliance
20-04	Nevada Gaming Control Board
20-05	Department of Taxation, Marijuana Regulation and Enforcement
20-06	Department of Health and Human Services, Aging and Disability Services Division, Supported Living Arrangement Program
20-07	Department of Health and Human Services, Division of Public and Behavioral Health, Adult Mental Health Services, Payments to Contractor and State-Employed Psychiatrists and Psychologists
20-08	State Department of Agriculture, Division of Consumer Equitability
20-09	Report on Count of Money In State Treasury, June 28, 2019
20-10	Office of the Governor, Nevada Office of the Western Interstate Commission for Higher Education
20-11	Department of Health and Human Services, Division of Welfare and Supportive Services
20-12	Review of Governmental and Private Facilities for Children, January 2020
20-13	Public Employees' Benefits Program, Information Security
20-14	Department of Administration, Fleet Services Division
20-15	Public Employees' Benefits Program, Contract Management
20-16	Office of the State Treasurer, Unclaimed Property Program
20-17	Department of Business and Industry, Real Estate Division

APPENDIX C

2020–2022 BASIC AUDIT PROGRAM

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747
Fax No.: (775) 684-6600



LEGISLATIVE COMMISSION (775) 684-6800
NICOLE J. CANNIZZARO, *Senator, Chair*
Brenda J. Erdoes, *Director, Secretary*

INTERIM FINANCE COMMITTEE (775) 684-6821
MAGGIE CARLTON, *Assemblywoman, Chair*
Cindy Jones, *Fiscal Analyst*
Mark Krmpotic, *Fiscal Analyst*

August 10, 2020

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 will not be able to present all of them to the Audit Subcommittee of the Legislative Commission by the start of the 2021 Legislative 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,

A handwritten signature in black ink, appearing to read "Daniel L. Crossman".

Daniel L. Crossman, CPA
Legislative Auditor

DC:smy
Enclosures

APPENDIX C

2020–2022 BASIC AUDIT PROGRAM (CONTINUED)

Legislative Counsel Bureau
Audit Division
Audits in Progress
August 10, 2020

Schedule 1

- Department of Business and Industry, Division of Insurance
- Department of Business and Industry, Office of the Nevada Attorney for Injured Workers
- Department of Business and Industry, Real Estate Division
- Department of Employment, Training and Rehabilitation, Employment Security Division
- Department of Health and Human Services, Division of Child and Family Services
- Public Employees' Benefits Program
- Public Employees' Benefits Program, Information Security – Addendum
- Department of Public Safety, Records, Communications and Compliance Division, Information Security – Addendum
- Senate Bill 174 of the 2019 Legislative Session – Autism Services
- Department of Taxation, Information Security – Addendum
- Office of the State Treasurer
- Department of Veterans Services
- Review of Governmental and Private Facilities for Children
- Report on Count of Money in the State Treasury
- Statewide Single Audit

APPENDIX C

2020–2022 BASIC AUDIT PROGRAM (CONTINUED)

Legislative Counsel Bureau
Audit Division
Proposed Audits
August 2020 Through December 2022

Schedule 2

- Department of Administration
 - Division of Enterprise Information Technology Services
 - Purchasing Division
 - State Public Works Division
 - Division of Human Resource Management
- Department of Business and Industry, Office of Labor Commissioner
- Colorado River Commission of Nevada
- Department of Corrections
- Department of Employment, Training and Rehabilitation, Rehabilitation Division
- Office of the Governor, Office of Economic Development
- Department of Health and Human Services, Division of Health Care Financing and Policy
- Department of Indigent Defense Services
- Board of Medical Examiners (Legislative Commission request)
- Department of Motor Vehicles
- Department of Public Safety, Division of Emergency Management
- Public Utilities Commission of Nevada
- Office of the Secretary of State
- Office of the State Controller
- Department of Taxation
- Department of Transportation

APPENDIX D

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

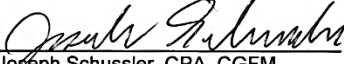
Dear Mr. Cooper:

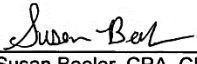
We have reviewed the system of quality control of the State of Nevada's Legislative Counsel Bureau - Audit Division (the office) in effect for the period January 1, 2017 through June 30, 2018. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures 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 E

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.135 Legislative Auditor duty to protect security of information systems; duty to report vulnerabilities in such systems.
- 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.

APPENDIX E

STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 218G.250 Audits: Notice to agency of acceptance of final report; submission of plan for corrective action.
- 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.

APPENDIX E**STATUTORY CITATIONS – LEGISLATIVE AUDITOR** (CONTINUED)

NRS

232B.235	Audit of certain boards and commissions: Recommendation; duties of Legislative Commission.
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.025	Biennial reporting of agency internal accounting and administrative control compliance to Legislative Auditor.
353A.045	Duties of Administrator of Division of Internal Audits. Consult with Legislative Auditor.
353A.065	Provide annual reporting of the Division of Internal Audits to Legislative Auditor.
353A.100	Working papers of the Division of Internal Audits available to Legislative Auditor upon request.
387.613	Selection of school districts for financial management review and selection of consultants to conduct reviews.
387.626	Working papers of consultants for school district reviews available to Legislative Auditor upon request.
387.631	Provide school district review report to the Legislative Auditor.
387.636	Provide school district corrective action plan to the Legislative Auditor.
387.639	Review of school district's report concerning progress on corrective action plan.

APPENDIX E

STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 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.
- 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)