

Audit Highlights



Highlights of Legislative Auditor report on the Office of the Military, issued on February 29, 2008.
Report # LA08-11.

Background

The Office of the Military is composed of the Nevada Army and Air National Guards and serves two missions. One mission is to provide trained and ready units to respond to federal mobilizations, both foreign and domestic. These mobilizations are directed by Congress or the President and include war and counter drug activities. The second mission involves providing a regulated militia for Nevada in support of the state constitution and Governor's office. State missions entail protecting the lives and property of the public during times of emergency or disaster.

Funding for the Guard is provided primarily through federal funding and State General Fund appropriations. The Office's operating budget received a total of \$10 million and \$12 million in fiscal years 2006 and 2007. The headquarters for the Nevada National Guard is in Carson City. The Guard also occupies 14 armories and aviation facilities throughout the State. As of March 29, 2007, the Office reported having 3,600 Guard members. In addition, at the beginning of fiscal year 2007, the Office had 138.5 authorized full-time equivalent positions.

Purpose of Audit

The purpose of this audit was to evaluate the Office of the Military's financial and administrative practices including whether these practices complied with laws, regulations, and policies. This audit focused on activities for the 18-month period ended December 31, 2006, and through August 2007 for certain issues.

Audit Recommendations

This report contains eight recommendations to improve the Office's financial and administrative practices. Three recommendations address improving controls over payroll activities. One recommendation relates to monitoring management reports for completing performance evaluations and receiving appraisal training. In addition, one recommendation was made to ensure training and oversight of personnel that process education reimbursements. Two recommendations address oversight and training of staff on contracting and purchasing requirements. We also made one recommendation to improve the monitoring of budget category expenditures.

The Office accepted the eight audit recommendations.

Status of Recommendations

The Office's 60-day plan for corrective action is due on May 23, 2008. In addition, the six-month report on the status of audit recommendations is due on November 24, 2008.

Office of the Military

Results in Brief

Although the Office of the Military improved its administrative operations following our 2001 audit, some financial and administrative functions need additional improvements. For example, some payroll and personnel activities did not comply with laws and regulations. In addition, some textbook and tuition reimbursements were processed incorrectly and did not always comply with Office policies. Finally, contracting requirements were not followed or properly documented, and procurements were made before properly authorized. Additional management controls are needed to correct these problems.

Principal Findings

For 10 of 49 applicable timesheets tested, shift differential hours were not recorded correctly. For example, some employees did not record shift differential hours when working a qualifying shift and others recorded more shift differential hours than eligible or for non-qualifying shifts. These coding errors resulted in incorrect payments to employees. Although policies and procedures detail which staff members are responsible for reviewing timesheets, they do not specifically address how to review timesheets, or the requirements for shift differential pay.

In calendar year 2006, 8 of 45 employees with recorded military leave exceeded the 15 shifts allowed by state law, and documentation for 7 employees was not available to support all military leave taken. In addition, two employees deployed overseas did not receive any of the allowed 15 shifts of paid military leave in 2006. The Office does not have formal policies and procedures to govern the use of military leave.

Overtime was not approved in advance for 10 of 45 timesheets tested with recorded paid overtime or compensatory time. For half the exceptions, no documentation of approval was found, or approval was documented after overtime was worked. The other five exceptions included paid overtime that was approved in advance by supervisors and not the Administrative Services Officer as specified in Office policy. Review and approval of overtime helps ensure that overtime expenditures are necessary.

The Office did not ensure employees' performance evaluations were performed timely and by a qualified rater, and compensatory time agreements were not completed for some employees. For 27 of 40 employee files tested, probationary or annual evaluations were not performed timely. For example, two employees have never received an annual performance evaluation and six employees never received their 11-month probationary evaluations. Furthermore, three raters performed employee evaluations without completing the required appraisal training. In addition, 8 of 40 employee files tested did not have agreements to accept compensatory time in lieu of paid overtime. These employees have all accrued compensatory time.

Some guard members were not correctly reimbursed for their summer tuition expenses. For 10 of 25 tuition reimbursements tested, the credit-hour cost reimbursed was not correct. This resulted in six members being overpaid a total of \$1,461 while four members were underpaid a total of \$291. In addition, the accuracy of two reimbursements could not be determined from the supporting documentation provided. Reimbursements were processed incorrectly because the Office relies on federal employees to process them with little review by state employees.

Office policies were not always followed for education reimbursements. Tuition and textbook reimbursements were processed when required documentation was not provided or applications were submitted after deadlines. In addition, some applicants were reimbursed for non-required textbooks or without achieving the minimum grade required.

The Office did not use contracts when obtaining all services. Instead of contracts, purchase orders were used to procure these services. We tested services provided to the Office by 20 vendors whose cumulative fiscal year payments exceeded \$2,000. For 6 of these 20 vendors, the Office did not use contracts when obtaining services totaling \$27,356.

The Office amended a contract after 4 years without soliciting additional bids. In addition, for 6 of the 20 vendors tested, documentation was not maintained showing services were obtained through open competition. Although the Office indicated multiple quotes were solicited, we only found the price quote from the winning vendor in the Office's files. State policies require agencies re-bid contracts every 4 years and obtain three bids when possible.

For 4 of the 10 contracts reviewed, workers' compensation or general liability insurance coverage did not meet the minimum limits required by the contracts. In addition, the Office did not have documentation showing one vendor maintained insurance coverage during the contract period. Although contract monitors usually ensured contractors maintained current insurance, they did not review insurance certificates to ensure compliance with contract limits.