



Single Audit Report  
June 30, 2017

# State of Nevada



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## Independent Auditor's Report

The Honorable Ronald Knecht, MS, JD & PE  
State Controller  
Carson City, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Nevada's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following:

- the financial statements of the Housing Division, which is a major fund, represent 27.93 percent of the assets and deferred outflows of resources, 11.99 percent of net position, and 3.53 percent of the revenues of the business-type activities;
- the financial statements of the Nevada System of Higher Education, which is a discretely presented component unit, represent 96.86 percent of assets and deferred outflows of resources, 99.75 percent of net position, and 97.56 percent of revenues of the discretely presented component units;
- the financial statements of the Self Insurance and Insurance Premiums Internal Service Funds which, in the aggregate, represent less than one percent of the assets and deferred outflows of resources and the net position, and 1.75 percent of the revenues of the aggregate remaining fund information;



- the financial statements of the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees’ Fund, which in the aggregate, represent 62.02 percent of the assets and deferred outflows of resources, 63.24 percent of the net position and 27.78 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Nevada College Savings Plan – Private Purpose Trust Fund, which represent 32.43 percent of the assets and deferred outflows of resources, 33.53 percent of the net position and 56.69 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Retirement Benefits Investment Fund – Investment Trust Fund, which represent less than one percent of the assets and deferred outflows of resources, net position and revenues of the aggregate remaining fund information;
- the financial statements of the Division of Museums and History Dedicated Trust Fund, which represent less than one percent of the assets and deferred outflows of resources, fund balance and revenues of the aggregate remaining fund information.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Division of Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained, and the reports of other auditors, is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



### **Change in Accounting Principle**

As described in Note 19 to the financial statements, the State of Nevada adopted the provisions of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*, which resulted in a restatement of the net position as of July 1, 2016. Our opinions are not modified with respect to this matter.

The Division of Museums and History Dedicated Trust Fund, audited by other auditors, did not include an adoption of the provisions of GASB No. 82 as required. The Self Insurance and Insurance Premiums Funds, audited by other auditors, partially adopted the provisions of GASB No. 82. The State restated the net position of the Division of Museums and History Dedicated Trust Fund and the Self Insurance and Insurance Premiums Funds to comply with the provisions of GASB No. 82. As part of our audit of the financial statements, we also audited the adjustments described in Note 19 that were applied to restate the net position as of July 1, 2016 of the Division of Museums and History Dedicated Trust Fund and the Self Insurance and Insurance Premiums Funds. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the financial statements of the Division of Museums and History Dedicated Trust Fund or the Self Insurance and Insurance Premiums Funds.

### **Correction of Errors**

As discussed in Note 19 to the financial statements, the State of Nevada corrected an error in the State Highway Fund for payroll expenditures recorded in fiscal year 2017 that were for fiscal year 2016, which resulted in a restatement of net position as of July 1, 2016. In addition, as discussed in Note 19 to the financial statements, the State of Nevada corrected an error in the Unemployment Compensation Fund for interest income recorded in fiscal year 2017 that was earned in fiscal year 2016, which resulted in a restatement of net position as of July 1, 2016. Our opinions are not modified with respect to these matters.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, the budgetary comparison information, the notes to required supplementary information-budgetary reporting, the schedule of funding progress, and the pension plan information, and the schedule of infrastructure condition and maintenance data, collectively presented on pages 84 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, on our consideration of the State of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the



internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nevada's internal control over financial reporting and compliance.

*Eide Sallee LLP*

Reno, Nevada  
March 14, 2018





# MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Nevada management provides this discussion and analysis of the State of Nevada's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Nevada is for the fiscal year ended June 30, 2017. Readers should consider this information in conjunction with the additional information furnished in the letter of transmittal.

## HIGHLIGHTS

### Government-wide:

- Total assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources by \$6.9 billion (reported as net position). Of this amount, \$5.6 billion is net investment in capital assets and \$2.9 billion is restricted for specific uses, neither of which are available to meet the State's general obligations, and a negative \$1.6 billion is reported as an unrestricted deficit, which indicates no funds are available for discretionary purposes.
- The State's total net position increased by \$962.2 million or 16.1% over the prior year. Net position of governmental activities increased by \$403.8 million or 8.4%. Net position of business-type activities increased by \$558.4 million or 47.9%. Due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and No. 73*, the State recorded \$53.7 million in deferred outflows of resources and \$90.8 million in deferred inflows of resources related to the prior year, and a corresponding net increase of \$37.1 million to beginning net position. Beginning net position of governmental activities increased by \$31.7 million, of which \$36.5 million is an increase due to the implementation of GASB Statement No. 82 and \$4.8 million is a decrease due to payroll expenditures recorded in fiscal year 2017 that were for fiscal year 2016. Beginning net position of business-type activities increased by \$3.7 million, of which \$.7 million is an increase due to implementation of GASB Statement No. 82 and an increase of \$3.0 million due to interest recorded in fiscal year 2017 that was earned in 2016.

### Fund-level:

- The State's governmental funds reported combined ending fund balances of \$2,118.9 million, an increase of \$254.7 million from the prior year, before restatement. Of the ending fund balance, \$480.1 million is nonspendable, \$851.9 million is restricted, \$884.5 million is committed and a negative \$97.6 million is unassigned.
- The State's enterprise funds reported combined ending net position of \$1,724.6 million, an increase of \$558.3 million from the prior year, before restatement. Of the ending net position, \$6.4 million is net investment in capital assets, \$1,704.7 million is restricted, and \$13.5 million is unrestricted.

### Capital Assets and Long-term Debt:

- The State's capital assets, net of depreciation, increased by \$108.0 million or 1.6%.
- The State's total bonds payable and certificates of participation payable decreased by \$172.2 million or 5.4%.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Nevada's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Comprehensive Annual Financial Report also contains other supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the State of Nevada's finances in a manner similar to the private sector. They take into account all revenues and expenses connected with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The *statement of net position* presents *all* of the State's assets, liabilities, and deferred outflows/inflows of resources with the difference being reported as "net position." The statement combines and consolidates all of the State's current financial resources with capital assets and long-term obligations. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the State's net position changed during the most recent fiscal year. The statement reveals how much it costs the State to provide its various services, and whether the services cover their own costs through user fees, charges, grants, or are financed with taxes and other general revenues. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Therefore, some revenue and expenses reported in this statement will not result in cash flows until future fiscal periods (e.g., uncollected taxes earned and unused leave).

Both government-wide statements above report three types of activities:

*Governmental Activities* – Taxes and intergovernmental revenues primarily support these activities. Most services normally associated with State government fall into this category, including general government, health and social services, education, law, justice and public safety, regulation of business, transportation, recreation and resource development, interest on long-term debt and unallocated depreciation.

*Business-type Activities* – These activities are intended to recover all, or a significant portion, of the costs of the activities by charging fees to customers. The Housing Division and Unemployment Compensation are examples of the State’s business-type activities.

*Discretely Presented Component Units* – Discrete component units are legally separate organizations for which their relationship with the primary government meets selected criteria. The State has three discretely presented component units – the Nevada System of Higher Education, the Colorado River Commission and the Nevada Capital Investment Corporation. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

**Fund Financial Statements:**

A fund is an accounting entity consisting of a set of self-balancing accounts to track funding sources and spending for a particular purpose. The State’s funds are broken down into three types:

*Governmental funds* – Most of the State’s basic services are reported in governmental funds. These funds focus on short-term outflows and inflows of expendable resources as well as balances left at the end of the fiscal year available to finance future activities. These funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The governmental fund financial statements focus on major funds and provide additional information that is not provided in the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. A reconciliation is provided between the governmental fund statements and the governmental activities in the government-wide financial statements.

*Proprietary funds* – When the State charges customers for the services it provides, whether to outside customers (enterprise funds) or to other State agencies (internal service funds), the services are generally reported in the proprietary funds. Proprietary funds apply the accrual basis of accounting utilized by private sector businesses, and there is a reconciliation between the government-wide financial statement business-type activities and the enterprise fund financial statements. Because internal service fund operations primarily benefit governmental funds, they are included with the governmental activities in the government-wide financial statements.

*Fiduciary funds* – These funds are used to account for resources held for the benefit of parties outside the state government. For instance, the State acts as a trustee or fiduciary for its employee pension plans, and it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are reported using the accrual basis of accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

**Notes to the Financial Statements:**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

**Required Supplementary Information:**

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds, along with notes and a reconciliation of the statutory and U.S. generally accepted accounting principles (GAAP) fund balances at fiscal year-end. This section also includes a schedule of pension plan information and a schedule of infrastructure condition and maintenance data.

**Other Supplementary Information:**

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service and all fiduciary funds. The non-major funds are added together, by fund type, and presented in single columns in the basic financial statements. Other supplementary information contains budgetary schedules of total uses for the General Fund and special revenue fund budgets, as well as a schedule of sources for non-major special revenue fund budgets.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the fiscal years ended June 30, 2017 and 2016 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

<b>State of Nevada's Net Position-Primary Government</b> <i>(expressed in thousands)</i>							
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017-2016</b>
<b>Assets</b>							
Current and other assets	\$ 4,470,888	\$ 4,123,954	\$ 2,748,174	\$ 2,379,222	\$ 7,219,062	\$ 6,503,176	\$ 715,886
Net capital assets	6,973,989	6,867,876	14,712	12,851	6,988,701	6,880,727	107,974
<b>Total assets</b>	<b>11,444,877</b>	<b>10,991,830</b>	<b>2,762,886</b>	<b>2,392,073</b>	<b>14,207,763</b>	<b>13,383,903</b>	<b>823,860</b>
<b>Total deferred outflows of resources</b>	<b>427,810</b>	<b>281,360</b>	<b>7,571</b>	<b>4,832</b>	<b>435,381</b>	<b>286,192</b>	<b>149,189</b>
<b>Liabilities</b>							
Current liabilities	1,779,280	1,729,053	69,179	66,378	1,848,459	1,795,431	53,028
Long-term liabilities	4,704,329	4,384,984	973,101	1,157,624	5,677,430	5,542,608	134,822
<b>Total liabilities</b>	<b>6,483,609</b>	<b>6,114,037</b>	<b>1,042,280</b>	<b>1,224,002</b>	<b>7,525,889</b>	<b>7,338,039</b>	<b>187,850</b>
<b>Total deferred inflows of resources</b>	<b>180,372</b>	<b>354,233</b>	<b>3,517</b>	<b>6,672</b>	<b>183,889</b>	<b>360,905</b>	<b>(177,016)</b>
<b>Net Position</b>							
Net investment in capital assets	5,623,373	5,588,027	6,446	4,310	5,629,819	5,592,337	37,482
Restricted	1,165,363	1,105,037	1,704,681	1,153,048	2,870,044	2,258,085	611,959
Unrestricted (deficit)	(1,580,030)	(1,888,144)	13,533	8,873	(1,566,497)	(1,879,271)	312,774
<b>Total net position</b>	<b>\$ 5,208,706</b>	<b>\$ 4,804,920</b>	<b>\$ 1,724,660</b>	<b>\$ 1,166,231</b>	<b>\$ 6,933,366</b>	<b>\$ 5,971,151</b>	<b>\$ 962,215</b>

### Net Position:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State reported net position of \$6.9 billion at the end of 2017, compared with \$6.0 billion at the end of the previous year.

The largest portion of the State's net position (\$5.6 billion or 81.2%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, software costs, construction in progress, infrastructure and rights-of-way, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position (\$2.9 billion or 42.0%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported an unrestricted net position deficit of \$1.6 billion or (23.2%) as compared to a \$1.9 billion deficit in the prior year. The governmental activities and business-type activities components of the unrestricted net position deficit are discussed below.

The unrestricted net position deficit in governmental activities decreased by \$308.1 million; from a deficit of \$1.9 billion to a total deficit of \$1.6 billion. Changes in governmental activities were a result of several factors, including an increase in the unrestricted fund balance of the General Fund of \$153.4 million and an increase of \$14.7 million in deferred inflows of resources for unrestricted and unavailable revenue recognized as revenue in the government-wide statement of net activities. Of the \$14.7 million increase in deferred inflows of resources for unrestricted and unavailable revenue, approximately \$20.9 million is from unrestricted tax revenue, a \$9.4 million increase is from federal revenues, and a decrease of \$9.5 million is from rebates for health services. In business-type activities the unrestricted net position increased by \$4.6 million from a net position of \$8.9 million to a net position of \$13.5 million. The increase is primarily due to an increase in the unrestricted net position of the Housing Division fund in the amount of \$2.9 million.

**Changes in State of Nevada's Net Position-Primary Government**  
(expressed in thousands)

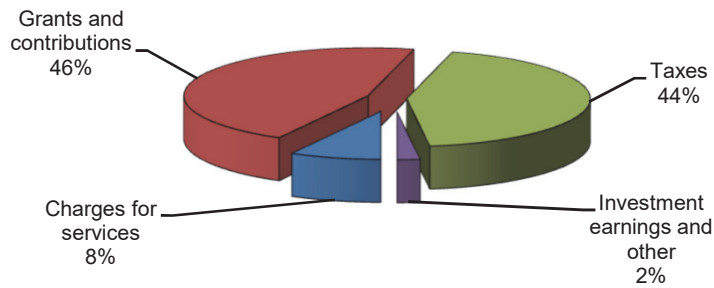
	Governmental Activities		Business-type Activities		Total		Total Change
	2017	2016	2017	2016	2017	2016	2017-2016
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 902,110	\$ 885,646	\$ 123,222	\$ 120,146	\$ 1,025,332	\$ 1,005,792	\$ 19,540
Operating grants and contributions	5,076,398	4,791,688	83,365	58,795	5,159,763	4,850,483	309,280
Capital grants and contributions	31,458	12,503	-	-	31,458	12,503	18,955
General revenues							
Sales and use taxes	1,285,247	1,219,151	-	-	1,285,247	1,219,151	66,096
Gaming taxes	896,571	910,684	-	-	896,571	910,684	(14,113)
Modified business taxes	572,873	562,867	-	-	572,873	562,867	10,006
Insurance premium taxes	358,499	301,368	-	-	358,499	301,368	57,131
Lodging taxes	178,846	167,159	-	-	178,846	167,159	11,687
Cigarette taxes	180,677	153,033	-	-	180,677	153,033	27,644
Commerce taxes	198,322	143,508	-	-	198,322	143,508	54,814
Property and transfer taxes	247,939	238,192	-	-	247,939	238,192	9,747
Motor and special fuel taxes	299,426	289,909	-	-	299,426	289,909	9,517
Other taxes	680,739	582,331	624,242	566,551	1,304,981	1,148,882	156,099
Investment earnings	2,645	10,352	-	-	2,645	10,352	(7,707)
Other	207,338	267,350	-	-	207,338	267,350	(60,012)
<b>Total Revenues</b>	<b>11,119,088</b>	<b>10,535,741</b>	<b>830,829</b>	<b>745,492</b>	<b>11,949,917</b>	<b>11,281,233</b>	<b>668,684</b>
<b>Expenses</b>							
General government	351,831	206,620	-	-	351,831	206,620	145,211
Health services	3,957,042	3,509,058	-	-	3,957,042	3,509,058	447,984
Social services	1,545,446	1,601,995	-	-	1,545,446	1,601,995	(56,549)
Education - K-12 state support	1,478,773	1,460,123	-	-	1,478,773	1,460,123	18,650
Education - K-12 administrative	580,719	524,397	-	-	580,719	524,397	56,322
Education - higher education	570,398	577,683	-	-	570,398	577,683	(7,285)
Law, justice and public safety	750,614	709,920	-	-	750,614	709,920	40,694
Regulation of business	295,766	299,093	-	-	295,766	299,093	(3,327)
Transportation	841,046	180,224	-	-	841,046	180,224	660,822
Recreation and resource development	161,621	144,940	-	-	161,621	144,940	16,681
Interest on long-term debt	73,785	79,527	-	-	73,785	79,527	(5,742)
Unallocated depreciation	2,673	2,680	-	-	2,673	2,680	(7)
Unemployment insurance	-	-	313,306	342,279	313,306	342,279	(28,973)
Housing	-	-	19,316	27,099	19,316	27,099	(7,783)
Water loans	-	-	4,802	4,962	4,802	4,962	(160)
Workers' compensation and safety	-	-	30,011	31,024	30,011	31,024	(1,013)
Higher education tuition	-	-	23,383	25,108	23,383	25,108	(1,725)
Other	-	-	32,181	31,471	32,181	31,471	710
<b>Total Expenses</b>	<b>10,609,714</b>	<b>9,296,260</b>	<b>422,999</b>	<b>461,943</b>	<b>11,032,713</b>	<b>9,758,203</b>	<b>1,274,510</b>
Change in net position before contributions to permanent funds, special items and transfers	509,374	1,239,481	407,830	283,549	917,204	1,523,030	(605,826)
Contributions to permanent fund	9,586	7,480	-	-	9,586	7,480	2,106
Transfers	(146,901)	(127,364)	146,901	127,364	-	-	-
<b>Change in net position</b>	<b>372,059</b>	<b>1,119,597</b>	<b>554,731</b>	<b>410,913</b>	<b>926,790</b>	<b>1,530,510</b>	<b>(603,720)</b>
Net position - beginning of year	4,804,920	3,685,323	1,166,231	755,318	5,971,151	4,440,641	1,530,510
Adjustment to beginning net position	31,727	-	3,698	-	35,425	-	35,425
<b>Net position - end of year</b>	<b>\$ 5,208,706</b>	<b>\$ 4,804,920</b>	<b>\$ 1,724,660</b>	<b>\$ 1,166,231</b>	<b>\$ 6,933,366</b>	<b>\$ 5,971,151</b>	<b>\$ 962,215</b>

**Changes in Net Position:**

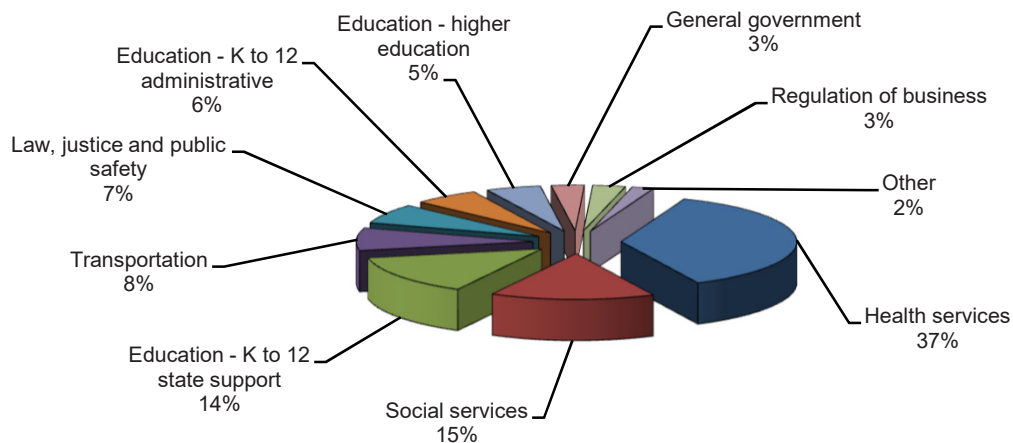
Total government-wide revenues increased by \$668.7 million during the current year. The increase in revenues is a result of several factors, including increases of \$309.3 million in federal funding, \$156.1 million in other taxes, \$66.1 million in sales and use taxes, \$57.1 million in insurance premium taxes and \$54.8 million in commerce taxes. Program revenues from charges for services increased by \$19.5 million compared to the prior year.

*Governmental activities* – The current year net position increased by \$372.1 million. Approximately 44.0% of the total revenue came from taxes, while 45.9% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 8.1% of the total revenues (see chart below). The State's governmental activities expenses cover a range of services and the largest expenses were 37.3% for health services, 14.6% for social services, and 13.9% for state support of K to 12 education (see chart below). In 2017, governmental activities expenses exceeded program revenues, resulting in the use of \$4.6 billion in general revenues, which were generated to support the government.

The following chart depicts the governmental activities revenues for the fiscal year:



The following chart depicts the governmental activities expenses for the fiscal year:

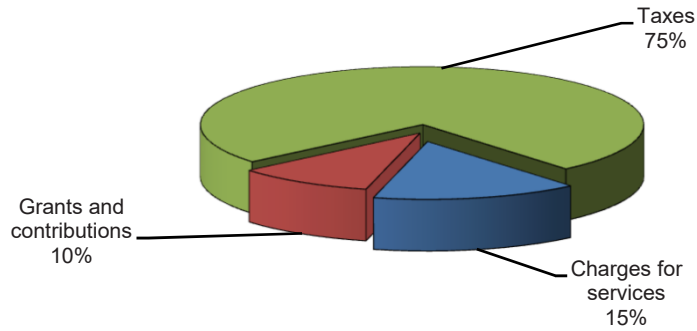


The following table depicts the total program revenues and expenses for each function of governmental activities:

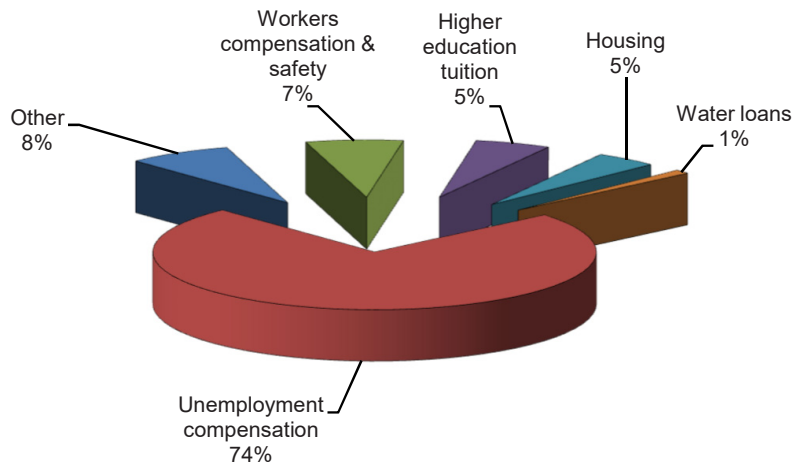
Revenues and Expenses by Function: Governmental Activities (expressed in thousands)		
	Expenses	Revenues
General government	\$ 351,831	\$ 203,845
Health services	3,957,042	3,162,007
Social services	1,545,446	1,187,013
Education - K-12 state support	1,478,773	3,835
Education - K-12 administration	580,719	281,570
Education - higher education	570,398	-
Law, justice and public safety	750,614	369,697
Regulation of business	295,766	306,390
Transportation	841,046	408,142
Recreation and resource development	161,621	86,232
<b>Total</b>	<b>\$ 10,533,256</b>	<b>\$ 6,008,731</b>

*Business-type activities* – The current year net position increased by \$554.7 million. Approximately 75.1% of the total revenue came from taxes, while 10.0% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 14.9% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were 74.1% for unemployment compensation (see chart below). In 2017, business-type activities expenses exceeded program revenues by \$216.4 million. Of this amount, unemployment compensation was the largest, with net expenses of \$291.3 million, resulting in the use of general revenues generated by and restricted to the Unemployment Compensation Fund.

The following chart depicts the business-type activities revenues for the fiscal year:



The following chart depicts the business-type activities expenses for the fiscal year:



The following table depicts the total program revenues and expenses for each function for business-type activities:

Revenues and Expenses by Function: Business-type Activities				
<i>(expressed in thousands)</i>				
	Expenses		Revenues	
Unemployment compensation	\$	313,306	\$	22,046
Housing		19,316		29,365
Water loans		4,802		32,832
Workers' compensation		30,011		45,729
Higher education tuition		23,383		41,436
Other		32,181		35,179
Total	\$	422,999	\$	206,587

The State's overall financial position improved over the past year. Current year operations resulted in a \$372.1 million increase in the net position of the governmental activities and a \$554.7 million increase in the net position of the business-type activities. Key economic indicators from the State's sales and other taxes continue to show positive growth. Tax revenues for governmental activities increased in the current fiscal year \$330.9 million or 7.2% compared to an increase of \$455.4 million or 11.1% in the prior fiscal year. In addition, operating grants and contributions for governmental activities increased \$284.7 million primarily due to Medicaid receipts.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

### Governmental Funds:

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$2.1 billion, an increase of \$254.7 million from the prior year. Of these total ending fund balances, \$480.1 million or 22.7% is nonspendable, either due to its form or legal constraints, and \$851.9 million or 40.2% is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$884.5 million or 41.7% of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency. Expenditures may occur if actual revenues for the biennium fall short by 5% or more from anticipated revenues, if the Legislature and Governor declare that a fiscal emergency exists, or if the Legislature allocates it to be used for any other purpose. The balance in the Stabilization Account committed for fiscal emergency at June 30, 2017 is \$103.3 million. The remaining negative \$97.6 million or (4.6%) of fund balance is unassigned. The major funds are discussed more fully below.

*The General Fund* is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund fund balance was \$556.7 million compared to \$398.2 million in the prior fiscal year. The fund balance increased by \$158.5 million or 39.8% over the previous year. The negative unassigned fund balance of \$97.6 million is primarily due to an accrual for Medicaid expenditures and for unearned gaming taxes already collected and budgeted but not yet recognized as revenues.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2017 and 2016 (expressed in thousands). Other financing sources are not included.

	<b>General Fund Revenues (expressed in thousands)</b>					
	2017		2016		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 884,599	9.5%	\$ 896,768	10.3%	\$ (12,169)	-1.4%
Sales taxes	1,282,745	13.7%	1,214,113	13.9%	68,632	5.7%
Modified business taxes	575,233	6.2%	561,779	6.5%	13,454	2.4%
Insurance premium taxes	358,482	3.8%	309,114	3.6%	49,368	16.0%
Lodging taxes	178,846	1.9%	167,160	1.9%	11,686	7.0%
Cigarette taxes	180,677	1.9%	153,033	1.8%	27,644	18.1%
Commerce taxes	197,827	2.1%	143,507	1.7%	54,320	37.9%
Property and transfer taxes	87,446	0.9%	80,169	0.9%	7,277	9.1%
Motor and special fuel taxes	2,220	0.0%	2,338	0.0%	(118)	-5.0%
Other taxes	320,521	3.5%	327,976	3.8%	(7,455)	-2.3%
Intergovernmental	4,727,482	50.6%	4,358,111	50.0%	369,371	8.5%
Licenses, fees and permits	359,687	3.9%	353,306	4.1%	6,381	1.8%
Sales and charges for services	71,813	0.8%	72,635	0.8%	(822)	-1.1%
Interest and investment income	2,820	0.0%	8,445	0.0%	(5,625)	-66.6%
Other revenues	116,252	1.2%	61,293	0.7%	54,959	89.7%
<b>Total revenues</b>	<b>\$ 9,346,650</b>	<b>100.0%</b>	<b>\$ 8,709,747</b>	<b>100.0%</b>	<b>\$ 636,903</b>	<b>7.3%</b>

The total General Fund revenues increased \$636.9 million or 7.3%. The largest increases in revenue sources were \$369.4 million or 8.5% in intergovernmental revenues, \$68.6 million or 5.7% in sales taxes, \$54.3 million or 37.9% in commerce taxes, \$49.4 million or 16.0% in insurance premium taxes, and \$55.0 million or 89.7% in other revenues. The increase in intergovernmental revenues is primarily due to \$313.6 million in receipts for Medicaid. The increase in other revenues is due to \$47.9 of settlement funds received in the current year. The largest decline in revenue sources was \$12.2 million or 1.4% in gaming taxes, fees and licenses, and \$7.5 million or 2.3% in other taxes.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2017 and 2016 (expressed in thousands). Other financing uses are not included.



**General Fund Expenditures (expressed in thousands)**

	2017		2016		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 139,990	1.5%	\$ 127,247	1.5%	\$ 12,743	10.0%
Health services	3,948,218	43.0%	3,535,984	41.2%	412,234	11.7%
Social services	1,545,419	16.8%	1,510,685	17.6%	34,734	2.3%
Education - K-12 state support	1,478,773	16.1%	1,460,123	17.0%	18,650	1.3%
Education - K-12 administrative	588,991	6.4%	524,747	6.1%	64,244	12.2%
Education - higher education	583,819	6.4%	549,228	6.5%	34,591	6.3%
Law, justice and public safety	498,523	5.4%	473,774	5.5%	24,749	5.2%
Regulation of business	274,436	3.0%	276,859	3.2%	(2,423)	-0.9%
Recreation, resource development	130,315	1.4%	115,883	1.4%	14,432	12.5%
Debt service	3,502	0.0%	3,368	0.0%	134	4.0%
<b>Total expenditures</b>	<b>\$ 9,191,986</b>	<b>100.0%</b>	<b>\$ 8,577,898</b>	<b>100.0%</b>	<b>\$ 614,088</b>	<b>7.2%</b>

The total General Fund expenditures increased 7.2%. The largest increases in expenditures were \$412.2 million or 11.7% in health services expenditures, \$34.7 million or 2.3% in social services expenditures, \$64.2 million or 12.2% in education K to 12 administrative expenditures, and \$34.6 million or 6.3% in higher education expenditures. Health services expenditures increased due to expansion of the Medicaid program. The largest decrease was \$2.4 million or .9% of expenditures for the regulation of business.

*The State Highway Fund* is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance increased by \$12.5 million or 2.4%, of which \$4.8 million or .9% is a decrease to beginning fund balance due to an error in calculating accrued payroll in the prior year, for an increase of \$17.3 million or 3.3% during the current fiscal year compared to a \$194.7 million or 58.3% increase in the prior year. This was primarily due to the issuance of bonds in the prior year spent on transportation projects in the current year. In addition, there was an increase in other taxes due to the Legislative allocation to the Highway Fund of \$38.6 million in motor vehicle government services tax commissions and penalties allocated to the General Fund in 2016. Expenditures increased as spending for four major road construction projects, Project NEON, USA Parkway, the Boulder City Bypass and Bus lanes for Las Vegas Blvd.

*The Municipal Bond Bank Fund* is a special revenue fund used to account for revenues and expenditures associated with buying local government bonds with proceeds of State general obligation bonds. The fund balance decreased by \$4.5 million during the current fiscal year, which is a 4.8% decrease from the prior year. This decrease was primarily due to payment of principal of \$8.1 million.

*The Permanent School Fund* is a permanent fund used to account for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education. The fund balance increased by \$9.5 million during the current fiscal year, which is a 2.8% increase from the prior year. This increase is due to \$9.7 million in land sales and other income that become permanent assets of the fund.

**Proprietary Funds:**

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of two types: enterprise funds and internal service funds. Enterprise funds are used when goods or services are provided primarily to parties outside of the State while internal service funds are used when goods or services are provided primarily to State agencies.

**Enterprise Funds** – There are four major enterprise funds: Housing Division Fund, Unemployment Compensation Fund, Water Projects Loans Fund and the Higher Education Tuition Trust Fund. The combined net position of the four major funds is \$1,698.0 million, the net position of the nonmajor enterprise funds is \$26.6 million and the total combined net position of all enterprise funds is \$1,724.6 million. The combined net position of all enterprise funds increased by \$558.3 million in 2017, of which \$.7 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, and \$3.0 million is an increase to beginning net position due to an interest income calculation, for a final net position of \$1,724.6 million. The major enterprise funds are discussed below:

*The Housing Division Fund* was created for the purpose of making available additional funds to assist private enterprise and governmental agencies in providing safe and sanitary housing facilities and provides low interest loans for first-time homebuyers with low or moderate incomes. The net position increased by \$9.9 million or 5.1%, resulting in an ending net position of \$206.5 million. Revenues from interest on loans increased by 4.2% reflecting Nevada's improving but still recovering housing market. Operating expenses decreased by \$6.2 million, and operating revenues increased by \$.5 million.



*The Unemployment Compensation Fund* accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net position increased by \$496.8 million during the current fiscal year, of which \$3.0 million is a decrease to beginning net position due to an error in interest income calculation, resulting in an ending net position of \$998.0 million. This increase in net position is primarily due to operating revenues exceeding expenses by \$332.6 million and a transfer of \$164.6 million from the Unemployment Compensation Bond Fund for special bond contributions assessed on employers for payment of principal and interest on Unemployment Compensation Bonds. During fiscal year 2017, \$310.0 million of unemployment compensation benefits was paid to unemployed State citizens compared to \$338.3 million paid in fiscal year 2016, representing an 8.4% decrease in claims expense.

*The Water Projects Loans Fund* issues loans to governmental and private entities for two programs: Safe Drinking Water and Water Pollution Control. The federal EPA matches the State's bond proceeds to make loans to governmental entities; only federal funds are loaned to private entities. The net position increased by \$26.1 million during the current fiscal year, of which \$.01 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, for a final net position of \$415.7 million, which is a 6.7% increase from the prior year.

*The Higher Education Tuition Trust Fund* provides a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college. The Trust Fund completed its nineteenth enrollment period during the fiscal year with 916 new enrollments. The net position increased \$18.7 million, of which \$.01 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, for an ending net position of \$77.8 million, a 31.6% increase over last year, primarily due to an increase in interest and investment income.

**Internal Service Funds** – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and fleet services in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2017, total internal service fund net position increased by \$7.1 million, of which \$1.0 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, for a final net position of \$13.4 million. The two largest funds are:

*The Self-Insurance Fund* accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. Net position increased by \$.3 million, of which \$.06 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, for a final net position of \$74.1 million. The remaining increase is considered a normal fluctuation in insurance premium income and in claims expense.

*The Insurance Premiums Fund* accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The net position deficit decreased by \$1.1 million or 2.1% during the current year, of which \$.02 million is an increase to beginning net position due to implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, resulting in an ending net position deficit of \$48.9 million. The remaining deficit decrease is due to increase in insurance premium income of 6.1% and a \$.3 million decrease in transfers out to other funds.

## **ANALYSIS OF GENERAL FUND BUDGET VARIATIONS**

The General Fund budgetary revenues and other financing sources were \$652.3 million or 5.6% less than the final budget, primarily because actual intergovernmental revenues received were less than the final budgeted amount. Intergovernmental revenues represent federal grants, and there are timing differences arising from when grants are awarded, received and spent. The final budget can include grant revenue for the entire grant period, whereas the actual amount recorded represents grant revenue received in the current year.

The net increase in the General Fund expenditures and other uses budget from original to final was \$1.4 billion. Some of the differences originate because the original budget consists only of those budgets subject to legislative approval through the General Appropriations Act and the Authorizations Bill. The non-executive budgets, not subject to legislative approval, only require approval by the Budget Division and if approved after July 1, are considered to be revisions. Increases due to the non-executive budgets approved after July 1 and increased estimated receipts were approximately \$1.1 billion. Other significant increases were a result of appropriations approved by the 79<sup>th</sup> (2017) Legislative Session, including \$99.8 million for capital improvement projects; \$62.3 million for the Department of Education due to a shortfall in local school support tax revenue and an increase in K-12 enrollment; \$26.1 million for costs of the 79<sup>th</sup> Legislative Session and to restore balances in the contingency account; \$20.0 million for the Millennium Scholarship Fund; and \$17.0 million for a human resource management information system for Clark County School District.

## CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

### Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2017 amount to \$8.3 billion, net of accumulated depreciation of \$1.3 billion, leaving a net book value of \$7.0 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, software costs, infrastructure, rights-of-way, and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense on infrastructure. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State; 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). In 2016, the State realigned its goals and has set a policy to maintain each category of its roadways with an IRI of 95 or less. The prior policy was to maintain each category with an IRI of 80 or less. The 2014 assessment results are based on the previous rating system. Results of condition assessments from 2015 and 2016 under the new rating system policy provide reasonable assurance that the condition level of the roadways is being preserved above, or approximately at, the condition level established for all road categories. The following tables show the roadways condition assessments under the current and previous State's policy and current condition level of bridges:

<b>Condition Level of the Roadways</b>					
<b>Percentage of roadways with an IRI of less than 95</b>					
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2016 condition assessment	91%	88%	92%	66%	30%
Actual results of 2015 condition assessment	87%	82%	85%	45%	13%

<b>Condition Level of the Roadways</b>					
<b>Percentage of roadways with an IRI of less than 80</b>					
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2014 condition assessment	84%	71%	62%	33%	7%

<b>Condition Level of the Bridges</b>			
<b>Percentage of substandard bridges</b>			
	2016	2012	2011
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	2%	4%	4%

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2017 by \$14.1 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimates, condition levels are expected to approximately meet or exceed the target condition levels for the roadway category. Additional information on the State's infrastructure can be found in the Schedule of Infrastructure Condition and Maintenance Data in the Required Supplementary Information section to the financial statements.

To keep pace with the demands of the population, the State also has a substantial capital projects program. The following is a summary of major projects in progress or completed during 2017 (expressed in millions):

	<u>Expended by June 30, 2017</u>	<u>Total Budget</u>
Healthcare Reform Software	\$ 51.9	\$ 51.9
Unemployment Insurance Software Development	36.5	36.5
New Readiness Center North Las Vegas	31.0	31.0
DMV East Sahara Complex	20.9	25.1
DMV System Modernization	16.1	109.5
Southern Nevada Veterans' Cemetery Expansion	11.7	13.4
NDOT Integrated Right-of-Way Software	7.0	7.0
Alpha Migration Software	6.0	6.0
Ely State Prison Air Handling Units	5.3	8.3
Southern Desert CC Distribution Switchgear & Panel boards	5.0	7.8

Additional information on the State's capital assets can be found in Note 7 to the financial statements.

**Long-term Debt Administration:**

As of year-end, the State had \$3.0 billion in bonds and certificates of participation outstanding, compared to \$3.2 billion last year, a decrease of \$172.2 million or 5.4% during the current fiscal year. This decrease was due primarily to the payment of principal on debt and refunding of general obligation bonds and certificates of participation.

The most current bond ratings from Fitch Investor Service was AA+, Moody's was Aa2, and Standard and Poor's was AAA. These ratings are an indication of high quality obligations and a reflection of sound financial management. The Constitution of the State limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State.

New bonds issued during the 2017 fiscal year and draws on previously authorized Housing bonds were (expressed in thousands):

General Obligation Capital Improvement and Cultural Centers Bonds	11/9/2016C	\$ 35,180
General Obligation Natural Resources and Refunding Bonds	11/9/2016D	13,610
Special Obligation Highway Improvement Revenue Bonds	2/28/2017	167,665
Lease Revenue Refunding Certificates of Participation	8/30/2016	3,730
Housing Multi-Unit Agate Seniors II	12/12/2014	4,615
Housing Multi-Unit Terracina	8/26/2015	1,607
Housing Multi-Unit 501 N Lamb Apartments	12/18/2015	15,346
Housing Multi-Unit Boulder Pines II	5/26/2016	11,440
Housing Multi-Unit Vintage @ the Crossings	9/8/2016	4,644
Housing Multi-Unit Rose Garden Townhouses	11/17/2016	7,993
Housing Multi-Unit Baltimore Cleveland	2/3/2017	11,764
Housing Multi-Unit Sierra Pointe & Granada	3/8/2017	16,750
Housing Multi-Unit Madison Palms	6/23/2017	55

Additional information on the State's long-term debt obligations can be found in Note 10 to the financial statements and in the Statistical Section.

**Requests for Information**

This financial report is designed to provide a general overview of the State of Nevada's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: State of Nevada, Office of the State Controller, 101 N. Carson Street, Suite 5, Carson City, NV 89701 or visit our website at: [www.controller.nv.gov](http://www.controller.nv.gov).

# Statement of Net Position

NEVADA

June 30, 2017 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 2,197,766	\$ 1,049,204	\$ 3,246,970	\$ 297,102
Investments	287,701	403,196	690,897	1,407,168
Internal balances	103	(103)	-	-
Due from component unit	39,517	-	39,517	-
Due from primary government	-	-	-	33,844
Accounts receivable	139,382	2,994	142,376	64,130
Taxes/assessments receivable	1,142,568	244,548	1,387,116	-
Intergovernmental receivables	474,901	2,350	477,251	39,480
Accrued interest and dividends	6,655	19,340	25,995	42
Contracts receivable	-	43,209	43,209	-
Mortgages receivable	-	419,091	419,091	-
Notes/loans receivable	104,515	378,450	482,965	31,037
Capital lease receivable	49,495	-	49,495	-
Other receivables	16	-	16	89,570
Inventory	23,404	1,545	24,949	8,426
Prepaid expenses	2,496	221	2,717	28,766
<i>Restricted assets:</i>				
Cash	2,365	-	2,365	73,660
Investments	-	184,114	184,114	10,063
Other assets	4	15	19	58,449
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	5,611,475	588	5,612,043	259,025
Other capital assets, net	1,362,514	14,144	1,376,658	2,002,215
<b>Total assets</b>	<b>11,444,877</b>	<b>2,762,886</b>	<b>14,207,763</b>	<b>4,402,977</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	70,312	865	71,177	13,451
Pension contributions	357,498	6,706	364,204	80,344
<b>Total deferred outflows of resources</b>	<b>427,810</b>	<b>7,571</b>	<b>435,381</b>	<b>93,795</b>
<b>Liabilities</b>				
Accounts payable	1,150,229	54,572	1,204,801	52,864
Accrued payroll and related liabilities	59,278	927	60,205	84,972
Intergovernmental payables	197,577	11	197,588	-
Interest payable	17,630	3,611	21,241	13,023
Due to component units	33,843	1	33,844	-
Due to primary government	-	-	-	39,517
Contracts/retentions payable	107,793	-	107,793	-
Unearned revenues	134,420	10,046	144,466	48,054
Other liabilities	78,510	11	78,521	42,278
Long-term liabilities:				
Portion due or payable within one year:				
Reserve for losses	86,802	-	86,802	-
Obligations under capital leases	2,382	-	2,382	1,234

Compensated absences	64,957	1,179	66,136	35,133
Benefits payable	-	19,161	19,161	-
Bonds payable	187,367	146,280	333,647	39,633
Certificates of participation payable	4,567	-	4,567	-
Pollution remediation obligations	285	-	285	-
Arbitrage rebate liability	-	1,075	1,075	-
<i>Portion due or payable after one year:</i>				
Federal advances	-	-	-	7,714
Reserve for losses	47,592	-	47,592	-
Obligations under capital leases	14,981	-	14,981	49,990
Net pension obligation	2,166,665	41,770	2,208,435	395,948
Compensated absences	31,663	543	32,206	15,287
Benefits payable	-	201,938	201,938	-
Bonds payable	2,013,353	561,155	2,574,508	656,406
Certificates of participation payable	81,475	-	81,475	-
Unearned revenue	-	-	-	47,395
Pollution remediation obligations	2,240	-	2,240	-
<b>Total liabilities</b>	<b>6,483,609</b>	<b>1,042,280</b>	<b>7,525,889</b>	<b>1,529,448</b>
<b>Deferred Inflows of Resources</b>				
Pension related amounts	179,497	3,517	183,014	50,157
Taxes	86	-	86	-
Fines and forfeitures	789	-	789	-
Donations	-	-	-	9,183
Lease revenue	-	-	-	4,035
<b>Total deferred inflows of resources</b>	<b>180,372</b>	<b>3,517</b>	<b>183,889</b>	<b>63,375</b>
<b>Net Position</b>				
Net investment in capital assets	5,623,373	6,446	5,629,819	1,624,100
Restricted for:				
Unemployment compensation	-	998,017	998,017	-
Security of outstanding obligations	-	193,289	193,289	-
Workers' compensation	-	19,984	19,984	-
Tuition contract benefits	-	77,680	77,680	-
Capital projects	14,279	-	14,279	65,292
Debt service	30,124	-	30,124	27,584
Education - K to 12	3,715	-	3,715	-
Transportation	288,179	-	288,179	-
Recreation and resource development	51,993	415,709	467,702	-
Law, justice and public safety	55,624	-	55,624	-
Health services	339,061	-	339,061	-
Social services	212	-	212	-
Regulation of business	31,040	2	31,042	-
Scholarships	-	-	-	497,532
Loans	-	-	-	6,340
Operations and maintenance	-	-	-	929
Research and development	-	-	-	10,276
Other purposes	304	-	304	3,622
Funds held as permanent investments:				
Nonexpendable	350,811	-	350,811	432,852
Expendable	21	-	21	-
Unrestricted (deficit)	(1,580,030)	13,533	(1,566,497)	235,423
<b>Total net position</b>	<b>5,208,706</b>	<b>1,724,660</b>	<b>6,933,366</b>	<b>2,903,950</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Activities

NEVADA

For the Fiscal Year Ended June 30, 2017 (Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	Component Units	
<b>Primary Government</b>									
Governmental activities:									
General government	\$ 351,831	\$ 194,111	\$ 9,714	\$ 20	\$ (147,986)	\$ -	\$ (147,986)	\$ -	-
Health services	3,957,042	106,150	3,055,857	-	(795,035)	-	(795,035)	-	-
Social services	1,545,446	137,574	1,049,439	-	(358,433)	-	(358,433)	-	-
Education - K-12 state support	1,478,773	-	3,835	-	(1,474,938)	-	(1,474,938)	-	-
Education - K-12 administrative	580,719	2,757	278,813	-	(299,149)	-	(299,149)	-	-
Education - higher education	570,398	-	-	-	(570,398)	-	(570,398)	-	-
Law, justice and public safety	750,614	316,046	45,173	8,478	(380,917)	-	(380,917)	-	-
Regulation of business	295,766	83,103	223,287	-	10,624	-	10,624	-	-
Transportation	841,046	16,262	369,270	22,610	(432,904)	-	(432,904)	-	-
Recreation and resource development	161,621	46,107	39,775	350	(75,389)	-	(75,389)	-	-
Interest on long-term debt	73,785	-	1,235	-	(72,550)	-	(72,550)	-	-
Unallocated depreciation	2,673	-	-	-	(2,673)	-	(2,673)	-	-
<b>Total governmental activities</b>	<b>10,609,714</b>	<b>902,110</b>	<b>5,076,398</b>	<b>31,458</b>	<b>(4,599,748)</b>	<b>-</b>	<b>(4,599,748)</b>	<b>-</b>	<b>-</b>
Business-type activities:									
Unemployment insurance	313,306	975	21,071	-	-	(291,260)	(291,260)	-	-
Housing	19,316	19,450	9,915	-	-	10,049	10,049	-	-
Water loans	4,802	8,679	24,153	-	-	28,030	28,030	-	-
Workers' compensation and safety	30,011	43,216	2,513	-	-	15,718	15,718	-	-
Higher education tuition	23,383	17,933	23,503	-	-	18,053	18,053	-	-
Other	32,181	32,969	2,210	-	-	2,998	2,998	-	-
<b>Total business-type activities</b>	<b>422,999</b>	<b>123,222</b>	<b>83,365</b>	<b>-</b>	<b>-</b>	<b>(216,412)</b>	<b>(216,412)</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 11,032,713</b>	<b>\$ 1,025,332</b>	<b>\$ 5,159,763</b>	<b>\$ 31,458</b>	<b>(4,599,748)</b>	<b>(216,412)</b>	<b>(4,816,160)</b>	<b>-</b>	<b>-</b>
<b>Total component units</b>	<b>\$ 1,828,982</b>	<b>\$ 716,111</b>	<b>\$ 534,420</b>	<b>\$ 481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(577,970)</b>	<b>-</b>

General revenues:					
Taxes:					
Gaming	896,571	-	-	896,571	-
Sales and use	1,136,217	-	-	1,136,217	-
Modified business	572,873	-	-	572,873	-
Insurance premium	358,499	-	-	358,499	-
Cigarette taxes	180,677	-	-	180,677	-
Commerce taxes	198,322	-	-	198,322	-
Property and transfer	87,447	-	-	87,447	-
Motor and special fuel	2,220	-	-	2,220	-
Other	292,479	378	-	292,857	-
Restricted for unemployment compensation:					
Other taxes	-	623,864	-	623,864	-
Restricted for educational purposes:					
Sales and use taxes	149,030	-	-	149,030	-
Lodging taxes	178,846	-	-	178,846	-
Restricted for debt service purposes:					
Property and transfer taxes	147,312	-	-	147,312	-
Motor and special fuel taxes	78,896	-	-	78,896	-
Other	5,234	-	-	5,234	-
Restricted for recreation and resource development purposes:					
Other taxes	39,408	-	-	39,408	-
Restricted for health services purposes:					
Property and transfer taxes	13,180	-	-	13,180	-
Other taxes	244,763	-	-	244,763	-
Restricted for social services purposes:					
Other taxes	15,847	-	-	15,847	-
Restricted for transportation purposes:					
Motor and special fuel taxes	218,310	-	-	218,310	-
Other taxes	87,824	-	-	87,824	-
Restricted for regulation of business:					
Other taxes	417	-	-	417	-
Settlement income	40,056	-	-	40,056	-
Unrestricted investment earnings	2,646	-	-	2,646	108,102
Gain on sale of assets	-	-	-	-	1,262
Other general revenues	162,048	-	-	162,048	31,720
Contributions to permanent funds	9,586	-	-	9,586	10,752
Payments from State of Nevada	-	-	-	-	568,164
Transfers	(146,901)	146,901	-	-	-
Total general revenues, contributions, payments, and transfers	4,971,807	771,143	-	5,742,950	720,000
Change in net position	372,059	554,731	-	926,790	142,030
Net position - beginning (as restated)	4,836,647	1,169,929	-	6,006,576	2,761,920
<b>Net position - ending</b>	<b>\$ 5,208,706</b>	<b>\$ 1,724,660</b>	<b>\$ 6,933,366</b>	<b>\$ 2,903,950</b>	<b>\$ 2,903,950</b>

Total general revenues, contributions, payments, and transfers

Change in net position

Net position - beginning (as restated)

**Net position - ending**

The notes to the financial statements are an integral part of this statement.

# Balance Sheet Governmental Funds

June 30, 2017

	General Fund	State Highway	Municipal Bond Bank
<b>Assets</b>			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 889,443,408	\$ 587,236,621	\$ 2,960
Cash in custody of other officials	4,760,683	195,397	-
Investments	14,719,181	-	-
<i>Receivables:</i>			
Accounts receivable	49,734,846	8,053,193	-
Taxes receivable	1,104,970,299	36,970,366	-
Intergovernmental receivables	435,524,334	23,003,307	-
Accrued interest and dividends	5,129,167	-	1,204,605
Notes/loans receivable	14,739,727	-	89,700,000
Capital lease receivable	-	-	-
Other receivables	15,830	-	-
Due from other funds	29,579,909	24,643,337	355
Due from fiduciary funds	683,562	-	-
Due from component units	181,201	-	-
Inventory	7,585,123	15,128,599	-
Advances to other funds	4,347,158	3,792,473	-
Restricted cash	2,364,538	-	-
Prepaid items	2,359,542	33,310	-
<b>Total assets</b>	<b>\$ 2,566,138,508</b>	<b>\$ 699,056,603</b>	<b>\$ 90,907,920</b>
<b>Liabilities</b>			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 512,133,062	\$ 17,448,317	\$ -
Accrued payroll and related liabilities	35,771,237	20,350,643	-
Intergovernmental payables	181,356,329	14,905,543	-
Contracts/retentions payable	7,942,517	88,965,118	-
Due to other funds	110,515,402	3,074,780	3,166
Due to fiduciary funds	595,882,157	559,784	-
Due to component units	15,219,277	408,237	-
Unearned revenues	132,915,003	91,090	-
Other liabilities	72,092,984	2,110,827	-
<b>Total liabilities</b>	<b>1,663,827,968</b>	<b>147,914,339</b>	<b>3,166</b>
<b>Deferred Inflows of Resources</b>			
<i>Unavailable revenue:</i>			
Taxes	104,154,412	388,079	-
Intergovernmental	203,856,388	-	-
Licenses, fees and permits	1,029,049	-	-
Sales and charges for services	13,420,696	1,298,020	-
Settlement income	-	-	-
Lease principal payments	-	-	-
Interest	978,605	599,609	127,094
Other	21,309,400	3,575,879	-
Taxes	85,983	-	-
Fines and forfeitures	789,056	-	-
<b>Total deferred inflows of resources</b>	<b>345,623,589</b>	<b>5,861,587</b>	<b>127,094</b>
<b>Fund Balances</b>			
Nonspendable	28,247,930	15,161,909	85,510,000
Restricted	83,172,526	480,070,878	-
Committed	542,891,958	50,047,890	5,267,660
Unassigned	(97,625,463)	-	-
<b>Total fund balances</b>	<b>556,686,951</b>	<b>545,280,677</b>	<b>90,777,660</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,566,138,508</b>	<b>\$ 699,056,603</b>	<b>\$ 90,907,920</b>

The notes to the financial statements are an integral part of this statement.



Permanent School Fund	Other Governmental Funds	Total Governmental Funds
\$ 12,034,499	\$ 427,994,656	\$ 1,916,712,144
35,227,738	70,396,752	110,580,570
271,402,943	1,579,068	287,701,192
928	72,023,652	129,812,619
-	627,281	1,142,567,946
601,681	8,053,361	467,182,683
302,447	19,167	6,655,386
-	-	104,439,727
-	49,495,000	49,495,000
-	-	15,830
52,818	91,177,139	145,453,558
-	1,153,156	1,836,718
37,123,965	192,147	37,497,313
-	438,546	23,152,268
-	451,910	8,591,541
-	-	2,364,538
-	10,943	2,403,795
<u>\$ 356,747,019</u>	<u>\$ 723,612,778</u>	<u>\$ 4,436,462,828</u>
\$ 2,536	\$ 8,024,347	\$ 537,608,262
-	1,885,086	58,006,966
-	1,203,218	197,465,090
-	10,885,326	107,792,961
5,445,998	33,370,882	152,410,228
-	10,994	596,452,935
-	18,203,361	33,830,875
-	1,325,857	134,331,950
506,403	3,799,881	78,510,095
<u>5,954,937</u>	<u>78,708,952</u>	<u>1,896,409,362</u>
-	-	104,542,491
-	-	203,856,388
-	107	1,029,156
-	16,895	14,735,611
-	19,078,822	19,078,822
-	49,495,000	49,495,000
9,937	556,980	2,272,225
928	381,913	25,268,120
-	-	85,983
-	-	789,056
<u>10,865</u>	<u>69,529,717</u>	<u>421,152,852</u>
350,781,217	479,489	480,180,545
-	288,637,830	851,881,234
-	286,256,790	884,464,298
-	-	(97,625,463)
<u>350,781,217</u>	<u>575,374,109</u>	<u>2,118,900,614</u>
<u>\$ 356,747,019</u>	<u>\$ 723,612,778</u>	<u>\$ 4,436,462,828</u>

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# Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

NEVADA

June 30, 2017

**Total fund balances - governmental funds** \$ 2,118,900,614

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 153,068,404	
Construction in progress	124,009,332	
Infrastructure assets	4,622,006,975	
Rights-of-way	705,357,558	
Buildings	1,770,808,072	
Improvements other than buildings	127,696,406	
Furniture and equipment	387,032,725	
Software costs	275,932,371	
Accumulated depreciation/amortization	<u>(1,222,774,384)</u>	
Total capital assets		6,943,137,459

Some of the State's revenues collected after year-end are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable deferred inflows of resources in the funds. 420,277,813

Intergovernmental receivable not providing current resources. 209,921

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position. 13,380,918

The loss on early retirement of debt is reported as a deferred outflow of resources on the statement of net position and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less. 70,312,483

Deferred outflow of resources related to pensions are not reported in the governmental funds. 348,576,865

Deferred inflow of resources related to pensions are not reported in the governmental funds. (174,864,484)

Certain liabilities for settlement agreements are not due and payable in the current period and therefore are not reported in the funds. (7,567,789)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Net pension obligation	(2,110,227,448)	
Bonds payable	(2,196,496,654)	
Accrued interest on bonds	(17,629,889)	
Certificates of participation	(86,041,521)	
Capital leases	(17,363,351)	
Compensated absences	(93,373,620)	
Pollution remediation liability	<u>(2,525,000)</u>	
Total long-term liabilities		<u>(4,523,657,483)</u>

**Net position of governmental activities** \$ 5,208,706,317

The notes to the financial statements are an integral part of this statement.

# Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2017

	General Fund	State Highway	Municipal Bond Bank
<b>Revenues</b>			
Gaming taxes, fees, licenses	\$ 884,598,992	\$ -	\$ -
Sales taxes	1,282,745,295	-	-
Modified business taxes	575,232,919	-	-
Insurance premium taxes	358,482,405	-	-
Lodging taxes	178,845,620	-	-
Cigarette taxes	180,677,113	-	-
Commerce taxes	197,827,208	-	-
Property and transfer taxes	87,446,525	-	-
Motor and special fuel taxes	2,219,763	218,309,585	-
Other taxes	320,521,276	87,788,833	-
Intergovernmental	4,727,481,761	396,895,848	-
Licenses, fees and permits	359,686,756	226,585,760	-
Sales and charges for services	71,812,775	16,353,805	-
Interest and investment income	2,820,026	1,188,785	3,502,226
Settlement income	-	-	-
Land sales	-	-	-
Other	116,251,915	17,073,200	-
<b>Total revenues</b>	<b>9,346,650,349</b>	<b>964,195,816</b>	<b>3,502,226</b>
<b>Expenditures</b>			
<i>Current:</i>			
General government	139,989,926	-	611
Health services	3,948,218,023	-	-
Social services	1,545,419,069	-	-
Education - K-12 state support	1,478,772,870	-	-
Education - K-12 administrative	588,991,333	-	-
Education - higher education	583,818,846	-	-
Law, justice and public safety	498,523,028	186,568,251	-
Regulation of business	274,436,405	-	-
Transportation	-	946,856,715	-
Recreation and resource development	130,314,996	-	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	2,415,362	-	-
Interest, fiscal charges	1,048,463	-	-
Debt issuance costs	37,904	1,046,161	-
<b>Total expenditures</b>	<b>9,191,986,225</b>	<b>1,134,471,127</b>	<b>611</b>
Excess (deficiency) of revenues over expenditures	<b>154,664,124</b>	<b>(170,275,311)</b>	<b>3,501,615</b>
<b>Other Financing Sources (Uses)</b>			
Bonds issued	1,928,587	167,665,000	-
Refunding bonds issued	-	-	-
Premium on bonds issued	108,294	18,382,245	-
Payment to refunded bond agent	-	-	-
Refunding certificates of participation issued	-	-	-
Payment to refunded certificates of participation agent	-	-	-
Sale of capital assets	166,737	-	-
Transfers in	96,242,559	14,465,502	-
Transfers out	(94,585,439)	(12,920,579)	(8,051,385)
<b>Total other financing sources (uses)</b>	<b>3,860,738</b>	<b>187,592,168</b>	<b>(8,051,385)</b>
Net change in fund balances	158,524,862	17,316,857	(4,549,770)
Fund balances, July 1 (as restated)	398,162,089	527,963,820	95,327,430
<b>Fund balances, June 30</b>	<b>\$ 556,686,951</b>	<b>\$ 545,280,677</b>	<b>\$ 90,777,660</b>

The notes to the financial statements are an integral part of this statement.

Permanent School Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 13,366,175	\$ 897,965,167
-	-	1,282,745,295
-	-	575,232,919
-	-	358,482,405
-	-	178,845,620
-	-	180,677,113
-	-	197,827,208
-	160,492,269	247,938,794
-	78,896,289	299,425,637
-	252,662,304	660,972,413
-	100,122,841	5,224,500,450
-	23,635,040	609,907,556
-	20,827,536	108,994,116
6,699,640	1,161,174	15,371,851
-	40,427,052	40,427,052
5,823,347	-	5,823,347
3,856,019	9,692,885	146,874,019
<u>16,379,006</u>	<u>701,283,565</u>	<u>11,032,010,962</u>
-	32,696,748	172,687,285
-	330,836	3,948,548,859
-	88,325,613	1,633,744,682
-	-	1,478,772,870
-	20,397	589,011,730
-	10,941,482	594,760,328
-	27,803,706	712,894,985
-	21,282,499	295,718,904
-	-	946,856,715
-	31,677,374	161,992,370
-	49,295,469	49,295,469
-	163,127,500	165,542,862
-	98,461,428	99,509,891
-	677,266	1,761,331
-	<u>524,640,318</u>	<u>10,851,098,281</u>
<u>16,379,006</u>	<u>176,643,247</u>	<u>180,912,681</u>
-	35,777,755	205,371,342
-	12,107,158	12,107,158
-	6,258,669	24,749,208
-	(14,697,052)	(14,697,052)
-	3,730,000	3,730,000
-	(4,071,373)	(4,071,373)
-	34,356	201,093
-	129,777,981	240,486,042
(6,835,778)	(266,924,615)	(389,317,796)
<u>(6,835,778)</u>	<u>(98,007,121)</u>	<u>78,558,622</u>
9,543,228	78,636,126	259,471,303
341,237,989	496,737,983	1,859,429,311
<u>\$ 350,781,217</u>	<u>\$ 575,374,109</u>	<u>\$ 2,118,900,614</u>

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# Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

NEVADA

For the Fiscal Year Ended June 30, 2017

**Net change in fund balances - total governmental funds** \$ 259,471,303

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:

Capital outlay	\$ 172,823,700	
Depreciation expense	(70,648,378)	
Excess of capital outlay over depreciation expense		102,175,322

Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

Bonds issued	(205,371,342)	
Refunding bonds issued	(12,107,158)	
Refunding certificates of participation issued	(3,730,000)	
Premiums on debt issued	(24,749,208)	
Total bond proceeds		(245,957,708)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond principal retirement	158,648,177	
Certificates of participation retirement	3,966,000	
Payments to the bond refunding agent	18,768,425	
Capital lease payments	2,164,456	
Total long-term debt repayment		183,547,058

Internal service funds are used to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.

5,981,503

Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" and are not reported as revenues in the governmental funds. Unavailable deferred inflows of resources changed by this amount.

22,795,550

In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the the change in net assets differs from the change in fund balance by the cost of the asset sold.

(962,227)

Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.

(11,619,985)

Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities.

36,413,602

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of the net change in:

Pension costs, net	(9,670,670)	
Accrued interest payable	3,346,894	
Compensated absences	(4,350,493)	
Long term due to component unit	24,362,000	
Settlement agreement liability	9,052,211	
Pollution remediation liability	(2,525,000)	
Total additional expenditures		20,214,942

**Change in net position of governmental activities** \$ 372,059,360

The notes to the financial statements are an integral part of this statement.

# Statement of Net Position Proprietary Funds

June 30, 2017

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	
<b>Assets</b>							
<b>Current assets:</b>							
<i>Cash and pooled investments:</i>							
Cash with treasurer	\$ 925,835	\$ -	\$ 93,424,738	\$ 4,513,106	\$ 62,820,444	\$ 161,684,123	\$170,473,332
Cash in custody of other officials	94,336	887,012,583	-	206,612	206,389	887,519,920	-
Investments	53,035,496	-	-	250,921,015	-	303,956,511	-
<i>Receivables:</i>							
Accounts receivable	-	-	-	-	2,987,203	2,987,203	2,772,763
Assessments receivable	-	244,547,797	-	-	-	244,547,797	-
Intergovernmental receivables	-	-	646,640	-	1,703,645	2,350,285	7,508,888
Contracts receivable	-	-	-	9,645,335	-	9,645,335	-
Mortgages receivable	22,953,430	-	-	-	-	22,953,430	-
Accrued interest and dividends	10,132,900	4,731,745	4,182,765	292,535	-	19,339,945	-
Notes/loans receivable	-	-	27,909,315	-	-	27,909,315	5,000
Due from other funds	15,151	523,179	448,709	18,729	1,573,283	2,579,051	8,651,292
Due from fiduciary funds	-	-	-	-	6,468	6,468	4,960,127
Due from component units	-	-	-	-	-	-	2,019,975
Inventory	-	-	-	-	1,545,312	1,545,312	251,829
Prepaid items	-	-	-	-	220,512	220,512	92,500
<i>Restricted assets:</i>							
Investments	84,120,360	-	-	-	-	84,120,360	-
<b>Total current assets</b>	<b>171,277,508</b>	<b>1,136,815,304</b>	<b>126,612,167</b>	<b>265,597,332</b>	<b>71,063,256</b>	<b>1,771,365,567</b>	<b>196,735,706</b>
<b>Noncurrent assets:</b>							
Investments	99,239,599	-	-	-	-	99,239,599	-
<i>Receivables:</i>							
Contracts receivable	-	-	-	33,563,763	-	33,563,763	-
Mortgages receivable	396,137,955	-	-	-	-	396,137,955	-
Notes/loans receivable	6,484,619	-	344,056,202	-	-	350,540,821	70,000
<i>Restricted assets:</i>							
Investments	99,993,582	-	-	-	-	99,993,582	-
Other assets	-	-	-	-	15,000	15,000	3,761
<i>Capital assets:</i>							
Land	-	-	-	-	567,812	567,812	1,032,737
Buildings	-	-	-	-	3,388,840	3,388,840	20,392,485
Improvements other than buildings	-	-	-	-	3,656,507	3,656,507	3,839,621
Furniture and equipment	798,555	-	11,820	173,374	15,794,137	16,777,886	59,683,673
Software costs	-	-	-	-	-	-	16,134,510
Construction in progress	-	-	-	-	-	-	6,000,000
Less accumulated depreciation/ amortization	(584,047)	-	(11,820)	(99,969)	(8,982,947)	(9,678,783)	(76,231,193)
<b>Total noncurrent assets</b>	<b>602,070,263</b>	<b>-</b>	<b>344,056,202</b>	<b>33,637,168</b>	<b>14,439,349</b>	<b>994,202,982</b>	<b>30,925,594</b>
<b>Total assets</b>	<b>773,347,771</b>	<b>1,136,815,304</b>	<b>470,668,369</b>	<b>299,234,500</b>	<b>85,502,605</b>	<b>2,765,568,549</b>	<b>227,661,300</b>
<b>Deferred Outflows of Resources</b>							
Deferred charge on refunding	-	-	691,295	-	173,759	865,054	-
Pension contributions	458,118	-	117,823	47,077	6,082,823	6,705,841	8,921,034
<b>Total deferred outflows of resources</b>	<b>458,118</b>	<b>-</b>	<b>809,118</b>	<b>47,077</b>	<b>6,256,582</b>	<b>7,570,895</b>	<b>8,921,034</b>



(Continued)

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Liabilities</b>							
<b>Current liabilities:</b>							
<i>Accounts payable and accruals:</i>							
Accounts payable	\$ 47,285,501	\$ 5,936,532	\$ 53,960	\$ 73,747	\$ 1,169,695	\$ 54,519,435	\$ 6,171,429
Accrued payroll and related liabilities	70,123	-	15,318	7,530	833,977	926,948	1,271,488
Interest payable	2,189,811	515,737	842,751	-	62,570	3,610,869	-
Intergovernmental payables	-	-	-	-	10,740	10,740	111,444
Bank overdraft	-	-	-	-	-	-	2,416,783
Due to other funds	131,434	191,193	245,178	33,540	1,954,229	2,555,574	1,718,099
Due to fiduciary funds	-	-	-	-	52,163	52,163	14,306
Due to component units	-	-	-	617	-	617	12,462
Unearned revenues	-	-	-	-	10,045,638	10,045,638	87,670
Other liabilities	-	-	-	-	11,450	11,450	-
<i>Short-term portion of long-term liabilities:</i>							
Reserve for losses	-	-	-	-	-	-	86,801,669
Compensated absences	57,519	-	26,541	15,805	1,079,358	1,179,223	2,012,610
Benefits payable	-	-	-	19,160,843	-	19,160,843	-
Bonds payable	4,917,828	131,079,204	9,993,840	-	289,158	146,280,030	513,323
Arbitrage rebate liability	-	1,075,289	-	-	-	1,075,289	-
<b>Total current liabilities</b>	<b>54,652,216</b>	<b>138,797,955</b>	<b>11,177,588</b>	<b>19,292,082</b>	<b>15,508,978</b>	<b>239,428,819</b>	<b>101,131,283</b>
<b>Noncurrent liabilities:</b>							
Advances from other funds	-	-	-	-	186,030	186,030	8,405,511
Reserve for losses	-	-	-	-	-	-	47,591,917
Net pension obligation	2,762,355	-	832,928	270,734	37,904,234	41,770,251	56,437,910
Compensated absences	24,229	-	10,338	5,740	502,743	543,050	1,233,345
Benefits payable	-	-	-	201,938,378	-	201,938,378	-
Bonds payable	509,497,851	-	43,680,353	-	7,976,925	561,155,129	3,709,603
<b>Total noncurrent liabilities</b>	<b>512,284,435</b>	<b>-</b>	<b>44,523,619</b>	<b>202,214,852</b>	<b>46,569,932</b>	<b>805,592,838</b>	<b>117,378,286</b>
<b>Total liabilities</b>	<b>566,936,651</b>	<b>138,797,955</b>	<b>55,701,207</b>	<b>221,506,934</b>	<b>62,078,910</b>	<b>1,045,021,657</b>	<b>218,509,569</b>
<b>Deferred Inflows of Resources</b>							
Pension related amounts	384,489	-	66,880	21,738	3,043,537	3,516,644	4,632,604
<b>Net Position</b>							
Net investment in capital assets	214,508	-	-	73,405	6,158,266	6,446,179	26,710,633
<i>Restricted for:</i>							
Unemployment compensation	-	998,017,349	-	-	-	998,017,349	-
Tuition contract benefits	-	-	-	77,679,500	-	77,679,500	-
Security of outstanding obligations	193,289,073	-	-	-	-	193,289,073	-
Workers' compensation	-	-	-	-	19,983,505	19,983,505	-
Revolving loans	-	-	415,709,400	-	-	415,709,400	-
Regulation of business	-	-	-	-	2,000	2,000	-
Unrestricted (deficit)	12,981,168	-	-	-	492,969	13,474,137	(13,270,472)
<b>Total net position</b>	<b>\$206,484,749</b>	<b>\$ 998,017,349</b>	<b>\$ 415,709,400</b>	<b>\$ 77,752,905</b>	<b>\$ 26,636,740</b>	<b>1,724,601,143</b>	<b>\$ 13,440,161</b>

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.

59,243

Net position of business-type activities

\$ 1,724,660,386

The notes to the financial statements are an integral part of this statement.

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# Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

NEVADA

For the Fiscal Year Ended June 30, 2017

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenues</b>							
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,269,611
Sales	-	-	-	17,811,864	6,864,668	24,676,532	2,567,617
Assessments	-	623,863,870	-	-	378,850	624,242,720	-
Charges for services	-	-	7,500	120,600	14,213,766	14,341,866	54,346,356
Rental income	-	-	-	-	146,100	146,100	20,762,494
Interest income on loans/notes	10,007,630	-	8,671,522	-	-	18,679,152	-
Federal government	-	4,626,826	23,657,300	-	-	28,284,126	-
Licenses, fees and permits	-	-	-	-	51,748,174	51,748,174	-
Fines	-	-	-	-	2,115,790	2,115,790	-
Other	9,442,663	975,080	28	-	1,095,674	11,513,445	1,270,619
<b>Total operating revenues</b>	<b>19,450,293</b>	<b>629,465,776</b>	<b>32,336,350</b>	<b>17,932,464</b>	<b>76,563,022</b>	<b>775,747,905</b>	<b>458,216,697</b>
<b>Operating Expenses</b>							
Salaries and benefits	1,755,407	-	475,128	263,509	37,213,536	39,707,580	35,759,422
Operating	1,638,895	-	2,753,176	575,772	13,710,054	18,677,897	44,096,585
Claims and benefits expense	-	310,009,541	-	22,528,053	7,992,919	340,530,513	244,343,945
Interest on bonds payable	13,258,111	-	1,576,501	-	-	14,834,612	-
Materials or supplies used	-	-	-	-	2,567,324	2,567,324	762,445
Servicers' fees	24,104	-	-	-	-	24,104	-
Depreciation	38,370	-	-	16,698	517,027	572,095	5,158,634
Bond issuance costs	52,833	-	-	-	-	52,833	-
Insurance premiums	-	-	-	-	-	-	124,132,561
<b>Total operating expenses</b>	<b>16,767,720</b>	<b>310,009,541</b>	<b>4,804,805</b>	<b>23,384,032</b>	<b>62,000,860</b>	<b>416,966,958</b>	<b>454,253,592</b>
Operating income (loss)	2,682,573	319,456,235	27,531,545	(5,451,568)	14,562,162	358,780,947	3,963,105
<b>Nonoperating Revenues (Expenses)</b>							
Interest and investment income	5,701,252	16,444,093	496,046	23,502,640	(56,064)	46,087,967	145,639
Interest expense	-	(2,468,703)	-	-	(345,590)	(2,814,293)	(218)
Federal grant revenue	4,213,578	-	-	-	4,779,103	8,992,681	-
Federal grant expense	(2,560,015)	-	-	-	-	(2,560,015)	-
Reed Act expenses	-	(723,708)	-	-	-	(723,708)	-
Gain (loss) on disposal of assets	-	-	-	-	800	800	111,833
Arbitrage rebate	-	(103,585)	-	-	-	(103,585)	-
<b>Total nonoperating revenues (expenses)</b>	<b>7,354,815</b>	<b>13,148,097</b>	<b>496,046</b>	<b>23,502,640</b>	<b>4,378,249</b>	<b>48,879,847</b>	<b>257,254</b>
Income (loss) before transfers	10,037,388	332,604,332	28,027,591	18,051,072	18,940,411	407,660,794	4,220,359
<b>Transfers</b>							
Transfers in	-	164,580,721	-	627,175	12,076	165,219,972	1,930,691
Transfers out	(95,077)	(3,444,416)	(1,934,982)	-	(12,844,434)	(18,318,909)	-
Change in net position	9,942,311	493,740,637	26,092,609	18,678,247	6,108,053	554,561,857	6,151,050
Net position, July 1 (as restated)	196,542,438	504,276,712	389,616,791	59,074,658	20,528,687		7,289,111
<b>Net position, June 30</b>	<b>\$ 206,484,749</b>	<b>\$ 998,017,349</b>	<b>\$ 415,709,400</b>	<b>\$ 77,752,905</b>	<b>\$ 26,636,740</b>		<b>\$ 13,440,161</b>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						169,547	
Change in net position of business-type activities						\$ 554,731,404	

# Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Totals	
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 25,892,558	\$ 604,257,563	\$ 7,528	\$ 18,022,259	\$ 83,705,829	\$ 731,885,737	\$ 49,282,199
Receipts for interfund services provided	-	1,639,412	-	15,949	3,547,302	5,202,663	388,530,297
Receipts from component units	-	-	-	-	-	-	15,615,322
Receipts of principal on loans/notes	49,401,867	-	-	-	-	49,401,867	5,000
Receipts of interest on loans/notes	10,976,628	-	-	-	-	10,976,628	-
Receipts from federal government	-	4,626,826	23,601,902	-	-	28,228,728	-
Payments to suppliers, other governments and beneficiaries	(3,941,973)	(311,462,426)	(2,632,230)	(6,347,253)	(40,108,219)	(364,492,101)	(390,721,312)
Payments to employees	(1,920,728)	-	(432,234)	(214,921)	(37,038,886)	(39,606,769)	(37,501,587)
Payments for interfund services	(603,977)	-	(127,441)	(160,821)	(7,084,720)	(7,976,959)	(18,848,876)
Payments to component units	-	-	-	(6,983,243)	(223,803)	(7,207,046)	(245,725)
Purchase of loans and notes	(59,104,899)	-	-	-	-	(59,104,899)	-
Net cash provided by (used for) operating activities	20,699,476	299,061,375	20,417,525	4,331,970	2,797,503	347,307,849	6,115,318
<b>Cash flows from noncapital financing activities</b>							
Grant receipts	4,213,578	-	-	-	3,563,981	7,777,559	-
Proceeds from sale of bonds	71,126,436	-	-	-	-	71,126,436	-
Transfers and advances from other funds	-	165,189,318	-	674,323	12,047	165,875,688	2,708,413
Principal paid on noncapital debt	(101,532,664)	(151,100,000)	(9,150,000)	-	-	(261,782,664)	-
Interest paid on noncapital debt	(13,867,031)	(12,380,875)	(2,200,323)	-	-	(28,448,229)	-
Transfers and advances to other funds	(95,077)	(4,018,182)	(1,974,803)	-	(14,455,295)	(20,543,357)	(109,882)
Payments to other governments and organizations	(906,452)	(723,708)	-	-	-	(1,630,160)	-
Net cash provided by (used for) noncapital financing activities	(41,061,210)	(3,033,447)	(13,325,126)	674,323	(10,879,267)	(67,624,727)	2,598,531
<b>Cash flows from capital and related financing activities</b>							
Proceeds from capital debt	-	-	-	-	800	800	6,000,000
Proceeds from sale of capital assets	-	-	-	-	-	-	129,675
Purchase of capital assets	-	-	-	-	(2,433,282)	(2,433,282)	(3,246,282)
Principal paid on capital debt	-	-	-	-	(247,670)	(247,670)	(2,393,537)
Interest paid on capital debt	-	-	-	-	(380,633)	(380,633)	(218)
Payments on construction projects	-	-	-	-	-	-	(6,000,000)
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(3,060,785)	(3,060,785)	(5,510,362)
<b>Cash flows from investing activities</b>							
Proceeds from sale of investments	414,042,501	-	-	74,024,914	-	488,067,415	-
Receipts of principal on loans/notes	-	-	27,441,573	-	-	27,441,573	-
Purchase of investments	(400,007,817)	-	-	(81,518,996)	-	(481,526,813)	-
Purchase of loans and notes	-	-	(54,199,644)	-	-	(54,199,644)	-
Interest, dividends and gains (losses)	6,141,089	14,734,536	9,071,497	3,924,796	(55,886)	33,816,032	22,022
Net cash provided by (used for) investing activities	20,175,773	14,734,536	(17,686,574)	(3,569,286)	(55,886)	13,598,563	22,022
Net increase (decrease) in cash	(185,961)	310,762,464	(10,594,175)	1,437,007	(11,198,435)	290,220,900	3,225,509
Cash and cash equivalents, July 1	1,206,132	576,250,119	104,018,913	3,282,711	74,225,268	758,983,143	167,247,823
<b>Cash and cash equivalents, June 30</b>	<b>\$ 1,020,171</b>	<b>\$ 887,012,583</b>	<b>\$ 93,424,738</b>	<b>\$ 4,719,718</b>	<b>\$ 63,026,833</b>	<b>\$ 1,049,204,043</b>	<b>\$ 170,473,332</b>

(Continued)

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Totals	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>							
Operating income (loss)	\$ 2,682,573	\$ 319,456,235	\$ 27,531,545	\$ (5,451,568)	\$ 14,562,162	\$ 358,780,947	\$ 3,963,105
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>							
Depreciation	38,370	-	-	16,698	517,027	572,095	5,158,634
Interest on loans	-	-	(8,671,522)	-	-	(8,671,522)	-
Interest on bonds payable	13,258,111	-	1,576,501	-	-	14,834,612	-
Decrease (increase) in loans and notes receivable	(5,828,389)	-	-	-	-	(5,828,389)	5,000
Decrease (increase) in accrued interest and receivables	(7,435,993)	(18,941,975)	(54,364)	105,744	(83,689)	(26,410,277)	(4,809,589)
Decrease (increase) in inventory, deferred charges, other assets	-	-	785	-	(149,376)	(148,591)	(37,213)
Decrease (increase) in deferred outflows of resources	(216,431)	-	(65,345)	(23,390)	(3,694,705)	(3,999,871)	(5,261,458)
Increase (decrease) in accounts payable, accruals, other liabilities	18,150,125	(1,452,885)	(10,380)	9,607,438	(13,543,211)	12,751,087	2,797,564
Increase (decrease) in unearned revenues	-	-	-	-	566,812	566,812	22,097
Increase (decrease) in net pension liability	157,807	-	139,506	80,003	6,014,345	6,391,661	6,662,332
Increase (decrease) in deferred inflows of resources	(106,697)	-	(29,201)	(2,955)	(1,391,862)	(1,530,715)	(2,385,154)
Total adjustments	18,016,903	(20,394,860)	(7,114,020)	9,783,538	(11,764,659)	(11,473,098)	2,152,213
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 20,699,476</b>	<b>\$ 299,061,375</b>	<b>\$ 20,417,525</b>	<b>\$ 4,331,970</b>	<b>\$ 2,797,503</b>	<b>\$ 347,307,849</b>	<b>\$ 6,115,318</b>
<b>Noncash investing, capital and financing activities</b>							
Gain (loss) on disposal of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,040
Increase (decrease) in fair value of investments	-	-	-	19,555,230	-	19,555,230	-

The notes to the financial statements are an integral part of this statement.

# Statement of Fiduciary Net Position

## Fiduciary Funds

NEVADA

June 30, 2017

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 3,401,325	\$ -	\$ 8,535,621	\$ 124,251,015
Cash in custody of other officials	156,237,041	4,905,090	18,292,074	53,623,011
<i>Investments:</i>				
Investments	1,478,881	1,361,035,226	20,559,109,760	236,026,738
Fixed income securities	10,534,560,276	-	-	-
Marketable equity securities	16,116,468,093	-	-	-
International securities	8,261,992,413	-	-	-
Real estate	1,789,219,998	-	-	-
Alternative investments	1,677,291,420	-	-	-
Collateral on loaned securities	377,917,975	-	-	-
<i>Receivables:</i>				
Accrued interest and dividends	109,274,116	6,337,246	870,370	-
Taxes receivable	-	-	-	64,526,704
Trades pending settlement	199,572,660	-	7,191,172	-
Intergovernmental receivables	130,217,533	-	166,408	624,730
Contributions receivable	-	-	15,282,620	-
Other receivables	-	-	-	87,101
Due from other funds	143,623	-	179,848	596,195,933
Due from fiduciary funds	33,393,657	-	-	15,337,824
Due from component unit	1,371,241	-	-	-
Other assets	3,352,174	-	-	-
Furniture and equipment	43,608,737	-	48,222	-
Accumulated depreciation	(38,994,666)	-	(48,222)	-
<b>Total assets</b>	<b>39,400,506,497</b>	<b>1,372,277,562</b>	<b>20,609,627,873</b>	<b>1,090,673,056</b>
<b>Liabilities</b>				
<i>Accounts payable and accruals:</i>				
Accounts payable	12,480,830	66,706	3,168,319	-
Accrued payroll and related liabilities	-	-	-	19,056
Intergovernmental payables	-	42,067	7,478	686,107,742
Redemptions payable	-	-	4,602,784	-
Trades pending settlement	197,703,901	7,933,697	17,404,152	-
Bank overdraft	-	-	607,000	-
Obligations under securities lending	377,917,975	-	-	-
Due to other funds	5,341,864	6,366	1,455,083	-
Due to fiduciary funds	63,686	-	1,648	48,666,147
<i>Other liabilities:</i>				
Deposits	-	-	-	349,831,821
Other liabilities	125,120	17,968	-	6,048,290
<b>Total liabilities</b>	<b>593,633,376</b>	<b>8,066,804</b>	<b>27,246,464</b>	<b>1,090,673,056</b>
<b>Net Position</b>				
<i>Held in trust for:</i>				
Employees' pension benefits	38,805,396,959	-	-	-
OPEB benefits	1,476,162	-	-	-
Pool participants	-	1,364,210,758	-	-
Individuals	-	-	20,582,381,409	-
<b>Total net position</b>	<b>\$ 38,806,873,121</b>	<b>\$ 1,364,210,758</b>	<b>\$ 20,582,381,409</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Changes in Fiduciary Net Position

## Fiduciary Funds

NEVADA

For the Fiscal Year Ended June 30, 2017

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
<b>Additions</b>			
<i>Contributions:</i>			
Employer	\$ 946,102,220	\$ -	\$ -
Plan members	901,777,801	-	-
Participants	-	-	11,038,640,832
Repayment and purchase of service	67,472,466	-	-
<b>Total contributions</b>	<b>1,915,352,487</b>	<b>-</b>	<b>11,038,640,832</b>
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	3,259,234,886	34,018,601	1,521,710,610
Interest, dividends	784,446,547	10,925,042	446,236,958
Securities lending	5,206,183	-	-
Other	120,178,514	-	-
	4,169,066,130	44,943,643	1,967,947,568
Less investment expense:			
Other	(45,553,812)	(54,938)	-
<b>Net investment income</b>	<b>4,123,512,318</b>	<b>44,888,705</b>	<b>1,967,947,568</b>
<i>Other:</i>			
Investment from local governments	-	1,408,428,647	-
Reinvestment from interest income	-	5,927,880	-
Other	2,212,623	304	-
<b>Total other</b>	<b>2,212,623</b>	<b>1,414,356,831</b>	<b>-</b>
<b>Total additions</b>	<b>6,041,077,428</b>	<b>1,459,245,536</b>	<b>13,006,588,400</b>
<b>Deductions</b>			
Principal redeemed	-	1,160,666,223	9,636,172,366
Benefit payments	2,302,295,738	-	24,454,832
Refunds	30,392,124	-	-
Contribution distributions	418,673	6,500,000	-
Dividends to investors	-	375,394	-
Administrative expense	10,034,591	373,879	32,274,566
<b>Total deductions</b>	<b>2,343,141,126</b>	<b>1,167,915,496</b>	<b>9,692,901,764</b>
Change in net position	3,697,936,302	291,330,040	3,313,686,636
Net position, July 1	35,108,936,819	1,072,880,718	17,268,694,773
<b>Net position, June 30</b>	<b>\$ 38,806,873,121</b>	<b>\$ 1,364,210,758</b>	<b>\$ 20,582,381,409</b>

The notes to the financial statements are an integral part of this statement.

# Combining Statement of Net Position Discretely Presented Component Units

NEVADA

June 30, 2017

	Major Component Units		Nonmajor Component Unit	
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	Total
<b>Assets</b>				
Cash and pooled investments	\$ 13,532,928	\$ 283,569,000	\$ -	\$ 297,101,928
Investments	-	1,370,687,000	36,480,804	1,407,167,804
Due from primary government	96,314	33,747,640	-	33,843,954
Accounts receivable	3,539,552	60,590,360	-	64,129,912
Intergovernmental receivables	-	39,480,000	-	39,480,000
Accrued interest and dividends	42,066	-	-	42,066
Notes/loans receivable	-	31,037,000	-	31,037,000
Other receivables	-	89,570,000	-	89,570,000
Inventory	-	8,426,000	-	8,426,000
Prepaid expenses	28,766,664	-	-	28,766,664
<i>Restricted assets:</i>				
Cash	7,294,438	66,365,000	-	73,659,438
Investments	-	10,063,000	-	10,063,000
Other assets	-	58,449,000	-	58,449,000
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	-	259,025,000	-	259,025,000
Other capital assets, net	50,398,692	1,951,817,000	-	2,002,215,692
<b>Total assets</b>	<b>103,670,654</b>	<b>4,262,826,000</b>	<b>36,480,804</b>	<b>4,402,977,458</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	-	13,451,000	-	13,451,000
Pension contributions	997,811	79,346,000	-	80,343,811
<b>Total deferred outflows of resources</b>	<b>997,811</b>	<b>92,797,000</b>	<b>-</b>	<b>93,794,811</b>
<b>Liabilities</b>				
Accounts payable	2,176,977	50,686,907	-	52,863,884
Accrued payroll and related liabilities	127,318	84,844,000	-	84,971,318
Interest payable	337,180	12,686,000	-	13,023,180
Due to primary government	7,230	2,386,093	37,123,965	39,517,288
Unearned revenues	2,535,025	45,519,000	-	48,054,025
Other liabilities	2,798,256	39,480,000	-	42,278,256
<i>Long-term liabilities:</i>				
<i>Portion due or payable within one year:</i>				
Obligations under capital leases	-	1,234,000	-	1,234,000
Compensated absences	187,996	34,945,000	-	35,132,996
Bonds payable	5,965,000	33,668,000	-	39,633,000
<i>Portion due or payable after one year:</i>				
Federal advances	-	7,714,000	-	7,714,000
Obligations under capital leases	-	49,990,000	-	49,990,000
Net pension obligation	6,596,117	389,352,000	-	395,948,117
Compensated absences	131,785	15,155,000	-	15,286,785
Bonds payable	28,059,134	628,347,000	-	656,406,134
Unearned revenue	47,394,696	-	-	47,394,696
<b>Total liabilities</b>	<b>96,316,714</b>	<b>1,396,007,000</b>	<b>37,123,965</b>	<b>1,529,447,679</b>
<b>Deferred Inflows of Resources</b>				
Donations	-	9,183,000	-	9,183,000
Lease revenues	-	4,035,000	-	4,035,000
Pension related amounts	529,638	49,627,000	-	50,156,638
<b>Total deferred inflows of resources</b>	<b>529,638</b>	<b>62,845,000</b>	<b>-</b>	<b>63,374,638</b>
<b>Net Position</b>				
Net investment in capital assets	50,398,692	1,573,701,000	-	1,624,099,692
<i>Restricted for:</i>				
Capital projects	-	65,292,000	-	65,292,000
Debt service	-	27,584,000	-	27,584,000
Scholarships	-	497,532,000	-	497,532,000
Loans	-	6,340,000	-	6,340,000
Operations and maintenance	929,332	-	-	929,332
Research and development	10,276,431	-	-	10,276,431
Other purposes	-	3,622,000	-	3,622,000
<i>Funds held as permanent investments:</i>				
Nonexpendable	-	432,852,000	-	432,852,000
Unrestricted (deficit)	(53,782,342)	289,848,000	(643,161)	235,422,497
<b>Total net position</b>	<b>\$ 7,822,113</b>	<b>\$ 2,896,771,000</b>	<b>\$ (643,161)</b>	<b>\$ 2,903,949,952</b>

The notes to the financial statements are an integral part of this statement.



**Combining Statement of Activities  
Discretely Presented Component Units**

**NEVADA**

*For the Fiscal Year Ended June 30, 2017*

	Major Component Units		Nonmajor Component Unit	Total
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	
Expenses	\$ 44,435,156	\$ 1,782,586,000	\$ 1,960,884	\$ 1,828,982,040
<i>Program revenues:</i>				
Charges for services	44,006,265	672,105,000	-	716,111,265
Operating grants and contributions	-	534,420,000	-	534,420,000
Capital grants and contributions	-	481,000	-	481,000
<b>Total program revenues</b>	<b>44,006,265</b>	<b>1,207,006,000</b>	<b>-</b>	<b>1,251,012,265</b>
<i>General revenues:</i>				
Unrestricted investment earnings	137,526	104,087,000	3,876,898	108,101,424
Gain on sale of assets	-	1,262,000	-	1,262,000
Other general revenues	59,255	31,661,000	-	31,720,255
Contributions to permanent funds	-	10,752,000	-	10,752,000
Payments from State of Nevada	-	568,164,000	-	568,164,000
<b>Total general revenues, contributions and payments</b>	<b>196,781</b>	<b>715,926,000</b>	<b>3,876,898</b>	<b>719,999,679</b>
Change in net position	(232,110)	140,346,000	1,916,014	142,029,904
Net position, July 1	8,054,223	2,756,425,000	(2,559,175)	2,761,920,048
<b>Net position, June 30</b>	<b>\$ 7,822,113</b>	<b>\$ 2,896,771,000</b>	<b>\$ (643,161)</b>	<b>\$ 2,903,949,952</b>

**Note 1 - Summary of Significant Accounting Policies**

The accompanying financial statements of the State of Nevada (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Description of Government-wide Financial Statements**

The Government-wide Financial Statements, which consist of the Statement of Net Position and the Statement of Activities, report information on all non-fiduciary activities of the primary government and its component units. All fiduciary activities, including component units that are fiduciary in nature, are reported only in the fund financial statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**B. Reporting Entity**

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the State's activities. Component units are legally separate organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: 1) the ability of the State to impose its will on that organization; or 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. When the State does not appoint a voting majority of an organization's governing body, GASB requires inclusion in the reporting entity based on financial accountability if: 1) the organization is both fiscally dependent on the State and there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State; or 2) it would be misleading to exclude the organization.

**Fiduciary Component Units:** The following fiduciary component units are legally separate from the State. The State is financially accountable for these organizations since it appoints the voting majority of the boards and is able to

impose its will on them through the ability to remove appointed members of the organization's governing board. Since these component units are fiduciary in nature, they are included only in the fund financial statements with the primary government's fiduciary funds. Therefore, these component units are excluded from the government-wide financial statements.

The *Public Employees' Retirement System* (PERS), the *Legislators' Retirement System* (LRS) and the *Judicial Retirement System* (JRS) are administered by a seven-member board appointed by the Governor. PERS is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system established to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. LRS is the administrator of a single-employer public employees' defined benefit retirement system established to provide a reasonable base income to Legislators at retirement. JRS is the administrator of an agent multiple-employer public employees' defined benefit retirement system established to provide a reasonable base income to justices of the Supreme Court, district judges, municipal court judges, and justices of the peace at retirement.

The *Retirement Benefits Investment Fund* (RBIF) was created for the sole purpose of providing an investment vehicle for monies belonging to either the State or local government other post employment benefit trust funds. RBIF is administered by the Retirement Benefits Investment Board, which consists of the same members as the Public Employees' Retirement Board.

**Blended Component Unit:** The *Nevada Real Property Corporation* (NRPC) is a legally separate organization. The State is financially accountable for NRPC since it appoints the board of directors, and NRPC provides a financial benefit to the State by providing financing services. NRPC was incorporated to finance certain construction projects which include office buildings, a transitional residential facility and a warehouse, all financed by the issuance of certificates of participation. Upon completion of construction, the NRPC leases the facilities to the State. Since the NRPC provides financing services solely to the State, these financial transactions are reported as part of the primary government using the blended method.

**Discretely Presented Component Units:** A component unit should be included in the reporting entity financial statements using the discrete presentation method if the component unit's governing body is not substantively the same as the governing body of the primary government, the component unit does not provide services entirely or almost entirely to the primary government, and the component unit's total debt outstanding is not expected to be repaid entirely or almost entirely

(Note 1 Continued)

with resources of the primary government. The following discretely presented component units meet these criteria and are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

The *Nevada System of Higher Education* (NSHE) is a legally separate organization consisting of the institutions of public higher education in Nevada, the NSHE Administration entity, and their component units. NSHE is governed by a Board of Regents elected by the voters. NSHE is considered to be fiscally dependent on the primary government since the State can modify and approve their budgets. In addition, NSHE imposes a financial burden on the primary government since the State provides financial support to NSHE through annual operating and capital appropriations.

The *Colorado River Commission* (CRC) is a legally separate organization responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three are appointed by the board of directors of the Southern Nevada Water Authority. The State is financially accountable for CRC since bonds issued by the CRC are backed by the full faith and credit of the State of Nevada, which creates the potential for a financial burden to the State. CRC provides services to citizens through the distribution and sale of electric power.

The *Nevada Capital Investment Corporation* (NCIC) is a legally separate organization whose board of directors consists of the State Treasurer, who serves as the chair; five members that are appointed by the primary government; and the Chancellor of NSHE, or his designee. Up to five additional members of the board may be chosen who are direct investors of the corporation. The NCIC is an independent corporation for public benefit, the general purpose of which is to act as a limited partner, shareholder or member to provide private equity funding to businesses located in or seeking to locate in Nevada, and engage in certain industries. The amount invested in the NCIC is not to exceed \$50 million from the State Permanent School Fund. The State is financially accountable for NCIC since it is able to impose its will through veto power by the State Treasurer.

Complete financial statements for each of the individual component units, with the exception of the *Nevada Real Property Corporation*, which has no other financial activity than that previously described, may be obtained at that organization's administrative offices:

*Public Employees' Retirement System*  
Carson City, NV

*Legislators' Retirement System*

Carson City, NV

*Judicial Retirement System*

Carson City, NV

*Retirement Benefits Investment Fund*

Carson City, NV

*Nevada System of Higher Education*

Reno, NV

*Colorado River Commission*

Las Vegas, NV

*Nevada Capital Investment Corporation*

Carson City, NV

**Related Organizations:** The Governor is responsible for appointing the members of many boards and commissions. The State's accountability for these entities does not extend beyond making the appointments and thus these entities are excluded from this report. The State does not exercise financial or administrative control over the excluded boards and commissions.

### C. Basis of Presentation

**Government-wide Financial Statements:** While separate government-wide and fund financial statements are presented, they are interrelated. On the government-wide financial statements, the governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As discussed earlier, the State has three discretely presented component units which are shown in a single column in the government-wide financial statements.

In general, the effect of interfund activity has been removed from the government-wide financial statements. Overhead costs have been removed to minimize the double counting of internal activities, but interfund services provided and used have been retained, as their elimination would distort the measurement of the cost of individual functional activities. Internal activities of a reimbursement type nature reduce the expenses of the reimbursed programs. Certain centralized costs have been included as part of the program expenses reported for the various functions and activities. The net amount of interfund receivables and payables between governmental activities and business-type activities are reported as internal balances on the government-wide statement of net position. The net amount of transfers between governmental activities and business-type activities are reported as transfers on the government-wide statement of activities.

**Fund Financial Statements:** The fund financial statements provide information about the government's funds, including its fiduciary and blended component units. Separate financial

(Note 1 Continued)

statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The State reports the following major governmental funds:

*General Fund* – this is the State’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

*State Highway Fund* - accounts for the maintenance, regulation, and construction of public highways and is funded through vehicle fuel taxes, federal funds, and other charges.

*Municipal Bond Bank Fund* - accounts for revenues and expenditures associated with buying local governments’ bonds with proceeds of State general obligation bonds.

*Permanent School Fund* - accounts for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education.

The State reports the following major enterprise funds:

*Higher Education Tuition Trust Fund* – accounts for the State program to assist Nevada residents in locking in the cost of future higher education expenses for Nevada colleges and universities. This program is financed through the sale of prepaid tuition contracts.

*Housing Division Fund* - accounts for the State program to assist private lenders in providing low interest housing loans to low- and moderate-income households. This program is financed through the sale of bonds.

*Unemployment Compensation Fund* - accounts for the payment of unemployment compensation benefits.

*Water Projects Loans Fund* - accounts for revenues and expenses associated with operating a revolving fund to finance local government pollution control projects, and with operating revolving and set-aside program funds to finance local public water systems’ safe drinking water projects.

Additionally, the State reports the following fund types:

*Internal Service Funds* - provides goods or services primarily to other agencies or funds of the State rather than to the general public. These goods and services include accounting, communications, information technology, fleet services,

personnel, printing, property management, purchasing and risk management. In the government-wide statements, internal service funds are included with governmental activities.

*Pension and Other Employee Benefit Trust Funds* - report resources that are required to be held in trust for the members and beneficiaries of the State’s defined benefit pension plans and other post-employment benefit plans.

*Investment Trust Funds* - report resources received from local governments that are either pooled in an external investment portfolio for the benefit of all participants or separated into subaccounts of identified investments allocated to specific participating local governments. Examples include the Local Government Investment Pool, the Nevada Enhanced Savings Term and the Retirement Benefits Investment Fund.

*Private Purpose Trust Funds* - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the Prisoners’ Personal Property and the Nevada College Savings Plan.

*Agency Funds* - report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples of funds in this category include state agency fund for bonds, motor vehicle, and child support disbursement.

## D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual; that is, when they become both measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State considers revenues to be available if they are collected within 60 days after year-end. Those revenues susceptible to accrual are gaming revenues, sales taxes, other taxes as described in



(Note 1 Continued)

Note 14, interest revenue and charges for services. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary, pension and other employee benefit trust, investment trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

#### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

*Cash and Pooled Investments* - The State Treasurer manages a cash pool where all temporary surplus cash is invested. These investments are reported on the Statement of Net Position and Balance Sheet as cash and pooled investments. Earnings from these pooled investments are credited to the General Fund and certain other funds that have specific statutory authority to receive a prorated share based on daily cash balances. Also included in this category is cash held by departments as petty cash funds and in bank accounts, outside the Treasurer's cash management pool. The operations and investments of the cash pool are described in Note 3.

Cash and cash equivalents are defined as bank accounts, petty cash, money market demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are reported in the Statement of Cash Flows for proprietary fund types.

*Investments* - Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are generally reported at cost, which approximates fair value, except for the short-term investments of the Nevada College Savings Plan that are valued at amortized cost, which approximates fair value. Securities, traded on a national or international exchange, are valued at the last reported sale price at current exchange rates. Fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is established by independent third party valuation firm in conjunction with Member Appraisal

Institute (MAI) independent appraisals. Investments that do not have an established market are reported at estimated fair value.

The Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement Benefits Investment Fund are reported as investment trust funds. The investments of the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust are subject to the general limitations of NRS 355.170. The investments of the Retirement Benefits Investment Fund are governed by the prudent person standard, as set forth by NRS 286.682. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The fair value of the position in the pool is the same as the value of the pool shares. The Bank of New York Mellon is the custodian and transfer agent for the Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement Benefits Investment Fund.

Derivatives are generally valued at quoted market value. Under the circumstance where quoted market values are not considered to be readily available, such derivatives are reported at estimated fair value and the methods and significant assumptions used are described in Note 3D. Investments are discussed further in Note 3.

*Receivables* - Receivables represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portions considered "available" (i.e., received by the State within approximately 60 days after year-end) are recorded as revenue; the remainder is recorded as deferred inflows of resources, unavailable revenue. Receivables in proprietary fund types have arisen in the ordinary course of business. All receivables are shown net of an allowance for uncollectible accounts. Significant receivable balances not expected to be collected within one year are presented in Note 4.

*Interfund Transactions* - The State has two types of interfund transactions:

1. Services rendered and employee benefit contributions are accounted for as revenues, expenditures/expenses in the funds involved.
2. Operating appropriations and subsidies are accounted for as transfers in the funds involved.

Due from/due to other funds and transfers are presented in Note 5.

(Note 1 Continued)

*Inventories* – In general, inventories in governmental funds are recorded as expenditures when purchased; however, certain inventories in the General Fund, the Highway Fund, and nonmajor governmental funds are recorded as expenditures at the time individual inventory items are consumed. Inventories are stated at cost on the first-in, first-out basis. Inventory items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.

*Prepaid Items* – Prepaid items reflect payments for costs applicable to future accounting periods and are recorded in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.

*Advances to Other Funds* - Long-term interfund advances are recorded by the advancing fund as a receivable. These amounts are reported in the nonspendable fund balance in the General Fund to maintain the accountability and to disclose properly the amount available for appropriation. In other governmental funds this amount will be reported in restricted, committed, or assigned fund balances. Repayments are credited to the receivable and corresponding reductions are made in the appropriate fund balance. A summary of interfund advances is presented in Note 5.

*Capital Assets and Depreciation* - An inventory of State-owned land, buildings and equipment was developed in 1985. All capital assets are recorded in the Statement of Net Position at historical cost or estimated historical cost, based on acquisition of comparable property or agency records, if actual historical cost is not available. Donated capital assets are stated at acquisition value at time of donation. The government defines capital assets as assets with a unit cost of \$5,000 or more for furniture and equipment, or \$100,000 or more for buildings and improvements, and an estimated useful life in excess of one year. Interest incurred during construction is only capitalized in proprietary funds.

Most capital assets are depreciated principally on a straight-line basis over estimated useful lives of 40 years for structures and 3 to 30 years for improvements, furniture and equipment. The State's significant infrastructure assets utilize the modified approach in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

In the Nevada System of Higher Education, capital assets are defined as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition. Collections are capitalized at the acquisition value at the date of donation. Depreciation is computed on a straight-line basis over

estimated useful lives of 40 years for buildings, 10 to 15 years for land improvements and 3 to 18 years for library books, machinery and equipment. Additional disclosure related to capital assets is provided in Note 7.

*Compensated Absences* – A liability for compensated absences relating to services already rendered and that are not contingent on a specified event is accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report a liability and expenditure for compensated absences only if the liability has matured as a result of employee resignations or retirements. Thus no expenditure would be recognized in governmental funds for the unpaid balance of compensated absences for employees still in active service at the end of the reporting period. On the Statement of Net Position, the accrued compensated absences for both proprietary and governmental fund types is reported.

*Long-Term Obligations* - In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 10.

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. An example is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. An example is unavailable revenue, reported in the governmental funds balance sheet when revenue is measureable but not available.

(Note 1 Continued)

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Net Position/Fund Balance* - The difference between fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

In governmental fund financial statements, fund balances are classified based primarily on the extent to which the State is bound to observe constraints imposed upon the use of the resources in the fund as follows:

1. Nonspendable fund balance includes items that cannot be spent because they are either not in spendable form (such as inventories, prepaid amounts and the long-term portion of loans/notes receivables) or legally or contractually required to be maintained intact (such as the principal of a permanent fund).
2. Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Nevada Legislature, through legislation passed into law.
4. Assigned fund balance includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch.
5. Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed for proper classification of fund balance. Funds are created by the Legislature and money is authorized to be transferred to the fund for a particular purpose. Balances in the Legislatively created funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved. Note 13 provides a disaggregation of governmental fund balances, nonspendable, restricted, committed, and unassigned.

*Net Position/Fund Balance Flow Assumptions* - The State's policy is to spend restricted amounts first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available. Therefore, restricted net position/fund balance is depleted before using unrestricted net position/fund balance. In governmental funds, when an expenditure is incurred for purposes for which amounts in any

of the unrestricted fund balance classifications could be used, the assumed order of spending is first committed, assigned and then unassigned.

*Minimum Fund Balance Policy* - NRS 353.213(3) requires that the proposed budget for each fiscal year of the biennium provide for a reserve of not less than 5% or more than 10% of the total of all proposed appropriations from the State General Fund for the operation of all departments, institutions and agencies of the State and authorized expenditures from the State General Fund for the regulation of gaming for that fiscal year.

*Stabilization Arrangement* - NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency. Expenditures may occur if actual revenues for the biennium fall short by 5% or more from anticipated revenues, if the Legislature and Governor declare that a fiscal emergency exists or if the Legislature allocates it to be used for any other purpose. The balance in the Stabilization Account committed for fiscal emergency at June 30, 2017 is \$103,253,740.

*Pensions* - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS, LRS and JRS and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by PERS, LRS and JRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## F. Revenues and Expenditures/Expenses

*Program Revenues* - In the government-wide statement of activities, program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

*Property Taxes* - Property taxes are recognized as revenues in the year for which they are levied. Property taxes are levied July 1 on property values assessed by the prior January 1. Property tax billings are payable in quarterly installments on the third Monday in August and the first Monday in October, January and March, after which time the bill is delinquent.

(Note 1 Continued)

*Grants* – The State participates in various federal award programs which are received in both cash and noncash forms. Grants and other entitlements are recognized as revenues when all eligibility requirements are met, including any time requirements, and the amount is received within 60 days after year-end. Federal reimbursement type grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received within 60 days after year-end. Certain grants have matching requirements in which the State must contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal

regulations, which include subjecting grants to financial and compliance audits.

*Proprietary Funds Operating and Nonoperating Revenues and Expenses* - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal, ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## Note 2 - Budgetary and Legal Compliance

### Budgetary Process and Control

The Governor must submit his proposed budget for the Executive Branch to the State Legislature not later than 14 calendar days before each regular session, which convenes every odd-numbered year. The presented budget spans the next two fiscal years and contains the detailed budgetary estimates of revenues and expenditures. The Legislature enacts the budget through passage of the General Appropriations Act, which allows expenditures from unrestricted revenues, and the Authorized Expenditures Act, which allows expenditures from revenues collected for specific purposes. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years.

The legal level of budgetary control, the level at which appropriations are approved and the level at which over-expenditure of appropriations or transfers of appropriated amounts may not occur without Legislative action, is at the total program level within each department or agency.

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. After obtaining the approval of the Governor, or his designee, the Budget Director, Legislative Interim Finance Committee (LIFC) approval is required of those revisions in excess of \$30,000 which have the effect, when taken into consideration with all other changes during the fiscal year, of increasing or decreasing any legislatively approved expenditure level by 10% or \$75,000, whichever is less. Revisions not exceeding this threshold require only Budget Director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Account, in the General Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$46,520,241 were made in the 2017 fiscal year.

Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period.

Budgets are legally adopted for the General Fund and Special Revenue Funds, except for the Nevada Real Property Corporation special revenue fund. In addition, certain activity within such funds may be unbudgeted. The State's budget is prepared principally on a modified accrual basis with the following exceptions:

1. Cash placed in petty cash funds or outside bank accounts is considered expended for budgetary purposes.
2. Advances to other funds are considered expenditures. Repayments of such advances are considered revenues.
3. Certain assets, such as prepaid items, are considered expended for budgetary purposes. Inventory is an expenditure for budgetary purposes. Certain unearned revenue is considered revenue for budgetary purposes.
4. Expenditures are only recognized if the liability is liquidated within 45 days after the fiscal year end.
5. Revenue from grants is only recognized when it is received in cash.
6. Encumbrances for goods or services not received by fiscal year-end are considered an expenditure of the current period if received and paid within 45 days.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.



**Note 3 - Deposits and Investments**

The Nevada Revised Statutes (NRS) and Nevada Administrative Code, as well as procedures approved by the State Board of Finance, govern deposits and investing activities for the primary government and its discretely presented component units which are not expressly required by law to be received and kept by another party. NRS 226.110(3) further requires that the Office of the State Treasurer shall establish the policies to be followed in the investment of money of the State of Nevada.

**A. Deposits**

*Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds* - The State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2017, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled \$1,025,895,855, of which \$60,973,647 was uncollateralized and uninsured.

*Component Units* - Cash and cash equivalents of the Nevada System of Higher Education (NSHE) are stated at cost, which approximates market, and consist of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2017 NSHE's deposits in money market funds totaled \$220,439,000 and cash in bank was \$6,279,000. Of these balances, \$250,000 are covered by the Federal Depository Insurance Corporation (FDIC); the remaining deposits are uncollateralized and uninsured.

**B. Investments**

NRS 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, municipal bonds, money market mutual funds whose policies meet the criteria set forth in the statute, United States treasury securities, and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements. The

State's Permanent School Fund is further limited by statute as to the types of investments in which it may invest (NRS 355.060). Cash and Investments are also discussed in Note 1 under Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance.

The State Board of Finance reviews the State's investment policies at least every four months. The Board is comprised of the Governor, the State Controller, the State Treasurer and two members appointed by the governor, one of which must be actively engaged in commercial banking in the State.

Investments held in the Local Government Investment Pool (LGIP), Retirement Benefits Investment Fund (RBIF), and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and are included in the following tables. LGIP, RBIF, and NVEST are investment trust funds and discussed further in Note 1, Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance. LGIP and NVEST are governed by the Nevada State Board of Finance and administered by the Nevada State Treasurer. Complete financial statements for LGIP and NVEST may be obtained from the State Treasurer's Office, 101 N. Carson Street, Suite 4, Carson City, NV 89701. RBIF is administered by the Retirement Benefits Investment Board. The audited financial statements of RBIF may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

*Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds* - The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the Barclays Aggregate Index benchmark. If securities are purchased outside the Barclays U.S. Treasury Index, they must be of investment grade rating by at least two of the following: Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's) except those issued or guaranteed by the U.S. Government or its agencies. The following table provides information about the interest rate risks associated with the State's investments as of June 30, 2017 (expressed in thousands):

(Note 3 Continued)

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 869,777	\$ 173,720	\$ 470,420	\$ 192,470	\$ 33,167
Negotiable certificate of deposit	612,264	612,089	175	-	-
U. S. agencies	11,699,325	875,089	6,865,628	2,118,205	1,840,403
Mutual funds	48,292	572	-	-	47,720
Repurchase agreements	231,000	231,000	-	-	-
Asset backed corporate securities	28,959	-	21,991	120	6,848
Corporate bonds and notes	377,865	185,778	171,231	11,013	9,843
Commercial paper	506,469	506,469	-	-	-
Fixed income securities	548	548	-	-	-
Municipal bonds	2,357	2,357	-	-	-
Investment agreements	9	-	-	-	9
Other short-term investments	312,823	312,823	-	-	-
Collateralized mortgage obligations	15,627	-	-	-	15,627
Other investments	3,922	3,000	4,945	-	(4,023)
<b>Total</b>	<b>\$ 14,709,237</b>	<b>\$ 2,903,445</b>	<b>\$ 7,534,390</b>	<b>\$ 2,321,808</b>	<b>\$ 1,949,594</b>

The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to interest rate risk for the investments. The security portfolios held by Vanguard, USAA, Upromise, Putnam and Wealthfront have various maturities from 29 days to 13.6 years and are not included in the table above.

*Component Units* – The Nevada System of Higher Education’s (NSHE) policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and, therefore, currently has no policies with regard to interest rate risk for these investments. Investments having interest rate risk are principally invested in mutual funds and private commingled funds. The following table provides the segmented time distribution for these investments at June 30, 2017 (expressed in thousands):

Less than 1 year	\$ 227,707
1 to 5 years	116,048
6 to 10 years	150,748
More than 10 years	-
<b>Total</b>	<b>\$ 494,503</b>

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of Nevada.

*Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds* - NRS 355.140, the State Treasurer’s investment policy, and investment policies of the pension and other employee benefit

trust and investment trust funds all address credit risk. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Bankers’ Acceptances are rated by a nationally recognized rating service as “A-1,” “P-1” or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. and municipal bonds (effective September 2011) are rated by a nationally recognized rating service as “A” or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as “AAA” or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as “AAA” or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

In addition to the above provisions, investment policies for the pension and other employee benefit trust funds allow investment in corporate bonds, assets related instruments, and foreign debt issued in the U.S. rated by at least two of the following: Moody’s, Standard & Poor’s, or Fitch (BBB- or better by Standard & Poor’s/Fitch, Baa3 or better by Moody’s). The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to credit risk for the investments. Investments having credit risk are included in the table below.

The State’s investments as of June 30, 2017 were rated by Standard & Poor’s and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor’s rating scale (at fair value, expressed in thousands):

(Note 3 Continued)

	Quality Rating						
	AAA	AA	A	BBB	BB	B	Unrated
Negotiable certificate of deposit	\$ -	\$ 13,509	\$ 220,870	\$ -	\$ -	\$ -	\$ 383,295
U.S. agencies	37,100	1,010,671	-	-	-	-	10,688,410
Mutual funds	35,434	-	-	-	-	-	20,208,855
Repurchase agreements	-	-	-	-	-	-	231,000
Asset backed corporate securities	16,052	423	1,446	461	398	507	16,793
Corporate bonds and notes	8,541	116,215	207,288	31,715	3,493	-	48,818
Commerical paper	-	-	381,891	-	-	-	126,120
Fixed Income	-	-	-	-	-	-	548
Municipal bonds	-	2,357	-	-	-	-	-
Investment agreements	-	-	-	9	-	-	9
Other short-term investments	122,805	-	124,430	-	298	-	529,084
Collateralized mortgage obligations	11,604	-	-	-	-	-	15,627
Other Investments	-	3,498	4,447	-	-	-	686,074
<b>Total</b>	<b>\$ 231,536</b>	<b>\$ 1,146,673</b>	<b>\$ 940,372</b>	<b>\$ 32,185</b>	<b>\$ 4,189</b>	<b>\$ 507</b>	<b>\$ 32,934,633</b>

*Component Unit* – The NSHE’s policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and therefore, it currently has no policies with regard to credit risk for these investments. The credit risk profile for NSHE operating and endowment investments at June 30, 2017 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	\$ 520,193
Partnerships	47,932
Endowment cash/cash equivalents	1,528
Trust(s)	4,247
Private commingled funds	271,695
	845,595
Less: GBC Foundation Endowments	(6,592)
<b>Total</b>	<b>\$ 839,003</b>

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer’s investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio. At June 30, 2017, no individual investment exceeded 5% of the total portfolio of the Primary Government.

At June 30, 2017, the following investments exceeded 5% of the Higher Education Tuition Trust’s total investments (expressed in thousands):

	Fair Value	Percentage
Federal Home Loan Mortgage Corp-Asset-Backed Mortgage Security	\$ 15,422	6.15%

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Housing Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative investment providers. As of June 30, 2017, the Housing Division’s investments in Fannie Mae and Ginnie Mae are 3.48% and 32.31% respectively, of the Housing Division’s total investments. The Fannie Mae and Ginnie Mae investments are in mortgage backed securities matched to the interest rate and maturity of the underlying bonds. Because such investments are matched to concomitant liabilities, the Housing Division is less concerned about a concentration risk on these investments.

*Component Unit* - The Nevada Capital Investment Corporation (NCIC) owns 99% equity interest in Silver State Opportunities Fund LLC (SSOF), a Nevada limited liability company, for the purpose of obtaining income. At June 30, 2017 the investment in equity interest of SSOF exceeded 5% of NCIC’s total investments.

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

*Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds* - The primary government does not have a policy regarding foreign currency risk; however, the State Treasurer’s office does not have any deposits or investments in foreign currency. The PERS, LRS, JRS, and RBIF do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. LRS and JRS had no exposure to foreign currency risk as of June 30, 2017. The following table summarizes the pension and investment trust funds’ exposure to foreign currency risk in U.S. dollars as of June 30, 2017 (expressed in thousands):

(Note 3 Continued)

	<b>Currency by Investment and Fair Value</b>			
	<b>Pending</b>			
	<b>Equity</b>	<b>Transactions</b>	<b>Cash</b>	<b>Total</b>
Australian Dollar	\$ 534,983	\$ (400)	\$ 1	\$ 534,584
British Pound Sterling	1,343,129	100	2,444	1,345,673
Danish Krone	136,931	-	-	136,931
Euro	2,474,813	(900)	759	2,474,672
Hong Kong Dollar	244,749	-	310	245,059
Israeli Shekel	24,514	-	201	24,715
Japanese Yen	1,781,442	(3,900)	4,589	1,782,131
Norwegian Krone	12,929	-	103	13,032
Polish Zloty	46,111	-	403	46,514
Singapore Dollar	98,044	-	213	98,257
Swedish Krona	221,802	-	5	221,807
Swiss Franc	645,200	-	15	645,215
<b>Total</b>	<b>\$ 7,564,647</b>	<b>\$ (5,100)</b>	<b>\$ 9,043</b>	<b>\$ 7,568,590</b>

*Private Purpose Trust Fund* - The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to foreign currency risk for the investments. The Plan consists of Vanguard College Savings Plan, USAA College Savings Plan, Upromise College Fund Plan, Putnam for America Plan, and Wealthfront College Savings Plan which all state that there are certain inherent risks involved when investing in international securities through mutual funds that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments, natural disasters and possible prevention or delay of currency exchange due to foreign governmental laws or restrictions. The investments held in Putnam for America Plan consist of the portfolios managed and sponsored by Putnam Investment Management, Putnam Mutual Funds, and non-Putnam Mutual Funds. Both mutual funds pose no foreign currency risk. The following table summarizes foreign currency risk for the GAA portfolios in U.S. dollars as of June 30, 2017 (expressed in thousands):

	<b>Currency at Fair Value</b>
Australian Dollar	\$ 1
Euro	3
Japanese Yen	16
New Taiwan Dollar	11
Swedish Krona	1
Swiss Franc	2
<b>Total</b>	<b>\$ 34</b>

*Component Unit* - The NSHE does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has \$189,524,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2017.

**Fair Value of Investments:** The State uses the market approach to determine the fair value of its investments. The State categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table summarizes the fair value measurements of the primary government as of June 30, 2017 (expressed in thousands):

(Note 3 Continued)

	Fair Value Measurements Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Investments by fair value level</b>				
Debt securities				
U.S. Treasury securities	\$ 622,000	\$ 395,163	\$ 226,837	\$ -
Negotiable certificates of deposit	476,943	-	476,943	-
US agencies	822,609	25,011	797,598	-
Mutual funds	218,663	218,663	-	-
Corporate bonds & notes	197,180	14,352	182,828	-
Commercial paper	355,245	-	355,245	-
Muni bonds	2,357	-	2,357	-
Repurchase agreements	96,000	-	96,000	-
Collateralized mortgage obligations	117,906	106,981	10,925	-
Federal National Mortgage Association	23,383	16,778	6,605	-
Other Investments	109,896	103,372	6,524	-
<b>Total investments by fair value level</b>	<b>\$ 3,042,182</b>	<b>\$ 880,320</b>	<b>\$ 2,161,862</b>	<b>\$ -</b>

**C. Securities Lending**

*Primary Government and Investment Trust Funds* - NRS 355.135 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of fair value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2017 (excluding PERS).

*Public Employees' Retirement System (PERS)* – PERS maintains a securities lending program under the authority of the “prudent person” standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income securities, international fixed income securities, equity securities, and international equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies or instrumentalities. Collateral received for the lending of U.S. securities must equal at least 102% of fair value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of fair value, plus accrued interest in the case of fixed income securities.

At year-end, PERS has no credit risk exposure to borrowers because the associated value of the collateral held exceeds the value of the securities borrowed. PERS has no discretionary authority to sell or pledge collateral received or securities loaned. The contract with the securities lending agent requires the agent to indemnify PERS for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

PERS may only loan up to 33 1/3% of its total portfolio. Either PERS or the borrower can terminate all securities loans on demand. In September 2013 the Board elected to allow only overnight repurchase agreements collateralized by U.S. government obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities within the reinvestment portfolio. This action effectively eliminated risk in securities lending collateral reinvestment portfolio since securities issued or guaranteed by the U.S. Government are considered to be free of credit risk. The maturities of the investments made with cash collateral generally do not match the maturities of the securities loaned because securities lending transactions can be terminated at will.

The fair value of underlying securities on loan at June 30, 2017 is \$5,022,445,189. Collateral received for outstanding securities lending arrangements consisted of cash in the amount of \$377,917,975 and non-cash in the amount of \$4,777,076,897. The cash collateral is reported on the Statement of Fiduciary Net Position as an asset with a related liability. At June 30, 2017, PERS has collateral consisting of cash and securities issued by the U.S. Government, its agencies or instrumentalities, in excess of the fair value of investments held by brokers/dealers under a securities lending agreement.

**D. Derivatives**

*Primary Government* – The Office of the State Treasurer’s investment policies do not contain any specific language regarding derivatives other than prohibiting certain types of derivatives such as option contracts, futures contracts, and swaps in the General Portfolios and the Local Government Investment Pool effective June 2012 and November 2015 respectively. The primary government has no exposure to derivatives as of June 30, 2017.



(Note 3 Continued)

*Private Purpose Trust Fund* – Certain investments in the Nevada College Savings Plan are managed by Putnam Investment Management through Putnam sponsored portfolios (the Portfolios) and mutual funds. The Portfolios use six types of derivatives: options, futures contracts, forward currency contracts, total return swap contracts, interest rate swap contracts, and credit default contracts. Currently, there is no written investment policy with regard to derivatives for the Portfolios. All six types of derivatives are considered

investments. The fair value amount in the table below represents the unrealized appreciation (depreciation) from derivative instruments and is reported in the Statement of Fiduciary Net Position. The net increase (decrease) in fair value is reported as investment income on the Statement of Changes in Fiduciary Net Position. The Portfolios’ investment derivative instruments as of June 30, 2017, and changes in fair value for the year then ended are summarized in the following table (expressed in thousands):

	<u>Contracts/ Notional Amounts</u>	<u>Fair Value</u>	<u>Change in Fair Value</u>
Purchased Currency Option Contracts, gross	\$ 5,479	\$ 17	\$ 7
Forward Currency Contracts, net	\$ 53,174	(9)	(146)
CC Interest Rate Swap Contracts, gross	\$ 7,445	(3)	31
OTC Total Return Swap Contracts, gross	\$ 16,759	(220)	(211)
OTC Credit Default Contracts, gross	\$ 4,924	(17)	18
CC Credit Default Contracts, gross	\$ 11,038	66	(304)
Futures Contracts, gross	258	62	125
Written Currency Option Contracts, gross	\$ 5,479	(6)	(6)
<b>Total</b>		<u>\$ (110)</u>	<u>\$ (486)</u>

The Portfolios use options contracts to manage duration and convexity, to isolate prepayment risk, to gain exposure to interest rates, to manage against changes in values of securities it owns, owned or expects to own to manage prepayment risk to generate additional income for the portfolio, to enhance returns on securities owned, to gain exposure to securities and to manage downside risks. The potential risk is that the change in value of options contracts may not correspond to the change in value of the managed instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchanged rates move unexpectedly or if the counterparty to the contract is unable to perform. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. Exchange-traded options are valued at the last sale price.

The Portfolios use futures contracts to manage interest rate risk, gain exposure to interest rates, manage prepayment risk, equitize cash, and manage exposure to market risk. The potential risk is that the change in value of futures contracts may not correspond to the change in value of the managed instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly, or if the counterparty to the contract is unable to perform. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. Risks may exceed amounts recognized on the Statement of Fiduciary Net Position. The Portfolios and the broker agree to exchange an amount of cash equal to the daily fluctuation

in the value of the futures contract. Such receipts or payments are known as “variation margin.”

The Portfolios buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to manage foreign exchange risk and to gain exposure on currency. The contract is marked to market daily using current forward currency exchange rates supplied by a quotation service. The Portfolios may be exposed to risk if the value of currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the Portfolios are unable to enter into a closing position. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC total return swap contracts, which are arrangements to exchange a market linked return for a periodic payment, both based on a notional principal amount, to manage sector exposure, manage exposure to specific sectors or industries, manage exposure to specific securities, to gain exposure to basket of securities, to gain exposure to specific markets or countries. To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Portfolios will receive a payment from or make a payment to the counterparty. OTC total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or

(Note 3 Continued)

the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The Portfolios' maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the Portfolios and the counterparty. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC and/or centrally cleared interest rate swap contracts to manage interest rate risk and to gain exposure on interest. OTC and centrally cleared interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults, in the case of OTC interest rate contracts, or the central clearing agency or a clearing member defaults, in the case of centrally cleared interest rate swap contracts, on its respective obligation to perform. This risk may be mitigated for OTC interest rate swap contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared interest rate swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared interest rate swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC and/or centrally cleared credit default contracts to manage credit risk and market risk, and gain exposure on individual names and/or baskets of securities. In an OTC and centrally cleared credit default contracts, the protection buyer typically makes a periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. The OTC and centrally cleared credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. In addition to bearing the risk that

the credit event will occur, the Portfolios could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that it may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the Portfolios may enter into offsetting OTC and centrally cleared credit default contracts which could mitigate their risk of loss. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position. The Portfolios' maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk may be mitigated for OTC credit default contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared credit default contracts through the daily exchange of the variation margin. Counterparty risk is further mitigated with respect to centrally cleared credit default contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Where the Portfolios are a seller of protection, the maximum potential amount of future payments it may be required to make is equal to the notional amount.

Derivative instruments held by the Portfolios were not individually rated by a ratings agency for the reporting period. As of June 30, 2017, OTC derivative counterparties had ratings that were either greater than or equivalent to long-term ratings of Baa1/BBB and short-term ratings of P-2/A-2. Centrally cleared contracts are not considered brokered contracts and have mitigated risks. With futures, there is minimal counterparty credit risk to the Portfolios since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default.

Derivative instruments are subject to interest rate risk. Prices of longer term maturities generally change more in response to interest rate changes than the prices of shorter term maturities. The following table provides information about the interest rate risks associated with the types of investment derivative instruments as of June 30, 2017 (expressed in thousands):

	Maturities in Years				Total
	Less than 1	1-5	6-10	Greater than 10	
Purchased Currency Options	\$ 17	\$ -	\$ -	\$ -	\$ 17
Forward Currency Contracts	(9)	-	-	-	(9)
CC Interest Rate Swap Contracts	-	(8)	(7)	12	(3)
OTC Total Return Swap Contracts	(220)	-	-	-	(220)
OTC Credit Default Contracts	-	-	-	(17)	(17)
CC Credit Default Contracts	-	66	-	-	66
Futures Contracts	62	-	-	-	62
Written Currency Options	(6)	-	-	-	(6)
<b>Total</b>	<b>\$ (156)</b>	<b>\$ 58</b>	<b>\$ (7)</b>	<b>\$ (5)</b>	<b>\$ (110)</b>

## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2017

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(Note 3 Continued)

Forward currency contracts are subject to foreign currency risk. The following table provides information about the forward currency contracts as of June 30, 2017 (expressed in thousands):

	<u>Fair Value</u>
Australian Dollar	\$ (3)
Brazilian Real	(29)
British Pound	(10)
Canadian Dollar	40
Chilean Peso	6
Czech Koruna	(6)
Danish Krone	1
Euro	24
Indian Rupee	(2)
Japanese Yen	5
Mexican Peso	(7)
New Zealand Dollar	(45)
Norwegian Krone	(24)
Singapore Dollar	(5)
South African Rand	(10)
Swedish Krona	46
Swiss Franc	10
<b>Total</b>	<u>\$ (9)</u>

The audited financial statements of Putnam 529 for America may be obtained from Putnam Investment Management, One Post Office Square, Boston, MA 02109.

### Note 4 - Receivables

Receivable balances are disaggregated by type and presented separately in the financial statements. Significant receivable balances not expected to be collected within one year and not already classified in the fund financials are presented below (expressed in thousands):

	<u>Major Governmental Funds</u>			<u>Total Governmental</u>
	<u>General</u>	<u>Municipal Bond Bank</u>	<u>Permanent School Fund</u>	
<b>As shown on financial statements:</b>				
Intergovernmental receivables	\$ 435,524	\$ -	\$ 602	\$ 436,126
Notes/loans receivable	14,740	89,700	-	104,440
Due from Component Unit	181	-	37,124	37,305
<b>Total</b>	<u>\$ 450,445</u>	<u>\$ 89,700</u>	<u>\$ 37,726</u>	<u>\$ 577,871</u>
<b>Classified:</b>				
<b>Current portion</b>	<u>\$ 425,853</u>	<u>\$ 4,190</u>	<u>\$ 602</u>	<u>\$ 430,645</u>
<b>Noncurrent portion:</b>				
Intergovernmental receivables	10,636	-	-	10,636
Notes/loans receivable	13,956	85,510	-	99,466
Due from Component Unit	-	-	37,124	37,124
<b>Total noncurrent portion</b>	<u>24,592</u>	<u>85,510</u>	<u>37,124</u>	<u>147,226</u>
<b>Total</b>	<u>\$ 450,445</u>	<u>\$ 89,700</u>	<u>\$ 37,726</u>	<u>\$ 577,871</u>

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at \$28.4 million, and uncollectible accounts receivable are estimated at \$147.1 million. The proprietary funds have \$35.9 million in uncollectible accounts receivable of which \$8.6 million are from uninsured employers' fines and penalties, and \$9.1 million are from unemployment contributions and benefit overpayments.



**Note 5 - Interfund Transactions**

**A. Interfund Advances**

A summary of interfund advances at June 30, 2017, follows (expressed in thousands):

	Advances From			Total
	General	State Highway	Nonmajor Governmental	
<b>Advances To</b>				
Nonmajor enterprise	\$ 186	\$ -	\$ -	\$ 186
Internal service	4,161	3,793	452	8,406
<b>Total other funds</b>	<u>\$ 4,347</u>	<u>\$ 3,793</u>	<u>\$ 452</u>	<u>\$ 8,592</u>

Interfund advances are the portions of interfund balances that are *not* expected to be repaid within one year. The interfund balances that are expected to be repaid within one year are shown in the Due From/Due To summary below.

Advances are generally made to finance capital expenditures or as a loan for operating purposes.

**B. Due From/Due To Other Funds and Component Units**

A summary of due from and due to other funds and component units at June 30, 2017, is shown below (expressed in thousands):

	Due To				
	Major Governmental Funds				Total Governmental
	General	State Highway	Permanent School	Nonmajor Governmental	
<b>Due From</b>					
Major Governmental Funds:					
General	\$ -	\$ 19,851	\$ 53	\$ 81,775	\$ 101,679
State Highway	1,755	-	-	145	1,900
Municipal Bond Bank	3	-	-	-	3
Permanent School Fund	5,446	-	-	-	5,446
Nonmajor governmental	19,116	4,536	-	8,904	32,556
Total Governmental	<u>26,320</u>	<u>24,387</u>	<u>53</u>	<u>90,824</u>	<u>141,584</u>
Major Enterprise Funds:					
Housing Division	125	-	-	-	125
Unemployment Comp	-	-	-	191	191
Water Projects Loans	244	-	-	-	244
Higher Ed Tuition Trust	32	-	-	-	32
Nonmajor enterprise	1,843	3	-	-	1,846
Total Enterprise	<u>2,244</u>	<u>3</u>	<u>-</u>	<u>191</u>	<u>2,438</u>
Internal Service	1,016	254	-	162	1,432
<b>Total other funds</b>	<u>\$ 29,580</u>	<u>\$ 24,644</u>	<u>\$ 53</u>	<u>\$ 91,177</u>	<u>\$ 145,454</u>
<b>Fiduciary</b>	<u>\$ 684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,153</u>	<u>\$ 1,837</u>
Component Units:					
Colorado River Commission	\$ -	\$ -	\$ -	\$ -	\$ -
Nevada System of Higher Education	181	-	-	192	373
Nevada Capital Investment Corporation	-	-	37,124	-	37,124
<b>Total Component Units</b>	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ 37,124</u>	<u>\$ 192</u>	<u>\$ 37,497</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2017

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(Note 5 Continued)

	Due To									
	Major Enterprise Funds					Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Ed Tuition Trust						
<b>Due From</b>										
Major Governmental Funds:										
General	\$ 15	\$ -	\$ 449	\$ 18	\$ 1,467	\$ 1,949	\$ 6,887	\$ 110,515	\$ 595,882	
State Highway	-	-	-	-	25	25	1,150	3,075	560	
Municipal Bond Bank	-	-	-	-	-	-	-	3	-	
Permanent School Fund	-	-	-	-	-	-	-	5,446	-	
Nonmajor governmental	-	523	-	-	47	570	244	33,370	11	
<b>Total Governmental</b>	<b>15</b>	<b>523</b>	<b>449</b>	<b>18</b>	<b>1,539</b>	<b>2,544</b>	<b>8,281</b>	<b>152,409</b>	<b>596,453</b>	
Major Enterprise Funds:										
Housing Division	-	-	-	-	1	1	6	132	-	
Unemployment Comp	-	-	-	-	-	-	-	191	-	
Water Projects Loans	-	-	-	-	-	-	1	245	-	
Higher Ed Tuition Trust	-	-	-	-	-	-	1	33	-	
Nonmajor enterprise	-	-	-	-	-	-	109	1,955	52	
<b>Total Enterprise</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>117</b>	<b>2,556</b>	<b>52</b>	
Internal Service	-	-	-	-	34	34	252	1,718	14	
<b>Total other funds</b>	<b>\$ 15</b>	<b>\$ 523</b>	<b>\$ 449</b>	<b>\$ 18</b>	<b>\$ 1,574</b>	<b>\$ 2,579</b>	<b>\$ 8,650</b>	<b>\$ 156,683</b>	<b>\$ 596,519</b>	
<b>Fiduciary</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 4,960</b>	<b>\$ 6,803</b>	<b>\$ 48,731</b>	
Component Units:										
Colorado River Commission	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 7	\$ -	
Nevada System of Higher Education	-	-	-	-	-	-	2,013	2,386	1,371	
Nevada Capital Investment Corporation	-	-	-	-	-	-	-	37,124	-	
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,020</b>	<b>\$ 39,517</b>	<b>\$ 1,371</b>	

	Due To		
	Component Units		
	Colorado River Commission	Nevada System of Higher Education	Total Component Units
<b>Due From</b>			
Major Governmental Funds:			
General	\$ 96	\$ 15,123	\$ 15,219
State Highway	-	408	408
Nonmajor governmental	-	18,204	18,204
<b>Total Governmental Funds</b>	<b>96</b>	<b>33,735</b>	<b>33,831</b>
Major Enterprise Fund:			
Higher Ed Tuition Trust	-	1	1
<b>Total Enterprise</b>	<b>-</b>	<b>1</b>	<b>1</b>
Internal Service	-	12	12
<b>Total</b>	<b>\$ 96</b>	<b>\$ 33,748</b>	<b>\$ 33,844</b>

The balances result primarily from timing differences between the date goods and services are provided or reimbursable expenses occur, and the date the transactions are recorded in the accounting system and payment is made.

(Note 5 Continued)

**C. Transfers From/Transfers To Other Funds**

A summary of transfers between funds for the year ended June 30, 2017, is shown below (expressed in thousands):

	Transfers Out/To					
	Major Governmental Funds					Total Governmental
	General	State Highway	Municipal Bond Bank	Permanent School	Nonmajor Governmental	
<b>Transfers In/From</b>						
Major Governmental Funds:						
General	\$ -	\$ 8,766	\$ 3	\$ 6,836	\$ 65,774	\$ 81,379
State Highway	10,264	-	-	-	4,201	14,465
Nonmajor governmental	81,773	4,155	8,048	-	32,358	126,334
Total Governmental	92,037	12,921	8,051	6,836	102,333	222,178
Major Enterprise Funds:						
Housing	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	164,581	164,581
Higher Ed Tuition Trust	627	-	-	-	-	627
Nonmajor enterprise	1	-	-	-	-	1
Total Enterprise	628	-	-	-	164,581	165,209
Internal Service	1,920	-	-	-	11	1,931
<b>Total other funds</b>	<b>\$ 94,585</b>	<b>\$ 12,921</b>	<b>\$ 8,051</b>	<b>\$ 6,836</b>	<b>\$ 266,925</b>	<b>\$ 389,318</b>

	Transfers Out/To					
	Major Enterprise Fund					Total Other Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	
<b>Transfers In/From</b>						
Major Governmental Funds:						
General	\$ 95	\$ -	\$ 1,935	\$ 12,834	\$ 14,864	\$ 96,243
State Highway	-	-	-	-	-	14,465
Nonmajor governmental	-	3,444	-	-	3,444	129,778
Total Governmental	95	3,444	1,935	12,834	18,308	240,486
Major Enterprise Funds:						
Housing	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	-	164,581
Higher Ed Tuition Trust	-	-	-	-	-	627
Nonmajor enterprise	-	-	-	11	11	12
Total Enterprise	-	-	-	11	11	165,220
Internal Service	-	-	-	-	-	1,931
<b>Total other funds</b>	<b>\$ 95</b>	<b>\$ 3,444</b>	<b>\$ 1,935</b>	<b>\$ 12,845</b>	<b>\$ 18,319</b>	<b>\$ 407,637</b>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2017

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## Note 6 - Restricted Assets

Various debt service, operation and maintenance, capital improvement and construction (acquisition) funding requirements of bond covenants, and trust indentures are recorded as restricted assets on the Statement of Net Position. The components of restricted assets at June 30, 2017 are as follows (expressed in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
<b>Restricted:</b>			
Cash	\$ 2,365	\$ -	\$ 73,659
Investments	-	184,114	10,063
<b>Total</b>	<b>\$ 2,365</b>	<b>\$ 184,114</b>	<b>\$ 83,722</b>
<b>Restricted for:</b>			
Debt service	\$ -	\$ 184,114	\$ 5,706
Construction	-	-	66,365
Regulation of business	2,365	-	-
Other purposes	-	-	11,651
<b>Total</b>	<b>\$ 2,365</b>	<b>\$ 184,114</b>	<b>\$ 83,722</b>

## Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2017, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 151,984	\$ 2,117	\$ -	\$ 154,101
Construction in progress	224,702	72,842	(167,535)	130,009
Infrastructure	4,591,400	30,607	-	4,622,007
Rights-of-way	654,990	50,368	-	705,358
Total capital assets, not being depreciated	5,623,076	155,934	(167,535)	5,611,475
<b>Capital assets, being depreciated/amortized</b>				
Buildings	1,734,800	56,401	-	1,791,201
Improvements other than buildings	128,598	2,938	-	131,536
Furniture and equipment	430,608	30,043	(13,935)	446,716
Software costs	187,101	105,226	(260)	292,067
Total capital assets, being depreciated/amortized	2,481,107	194,608	(14,195)	2,661,520
<b>Less accumulated depreciation/amortization for:</b>				
Buildings	(634,306)	(44,087)	-	(678,393)
Improvements other than buildings	(89,686)	(3,575)	-	(93,261)
Furniture and equipment	(347,296)	(24,175)	12,848	(358,623)
Software costs	(165,019)	(3,970)	260	(168,729)
Total accumulated depreciation/amortization	(1,236,307)	(75,807)	13,108	(1,299,006)
Total capital assets, being depreciated/amortized, net	1,244,800	118,801	(1,087)	1,362,514
<b>Governmental activities capital assets, net</b>	<b>\$ 6,867,876</b>	<b>\$ 274,735</b>	<b>\$ (168,622)</b>	<b>\$ 6,973,989</b>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	568	-	-	568
<b>Capital assets, being depreciated</b>				
Buildings	3,389	-	-	3,389
Improvements other than buildings	3,656	-	-	3,656
Furniture and equipment	14,633	2,433	(288)	16,778
Total capital assets, being depreciated	21,678	2,433	(288)	23,823
<b>Less accumulated depreciation for:</b>				
Buildings	(3,034)	(54)	-	(3,088)
Improvements other than buildings	(572)	(75)	-	(647)
Furniture and equipment	(5,789)	(443)	288	(5,944)
Total accumulated depreciation	(9,395)	(572)	288	(9,679)
Total capital assets, being depreciated, net	12,283	1,861	-	14,144
<b>Business-type activities capital assets, net</b>	<b>\$ 12,851</b>	<b>\$ 1,861</b>	<b>\$ -</b>	<b>\$ 14,712</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2017

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(Note 7 Continued)

Included in the table above are three Department of Correction facilities that have been closed and the Kinkead Building located in Carson City. These assets are idle, with a carrying value of \$10.0 million.

Current period depreciation and amortization expense was charged to functions of the primary government as follows (expressed in thousands):

<b>Governmental activities:</b>			
General government		\$	4,525
Education, support services			825
Health services			1,218
Law, justice, public safety			34,711
Recreation, resource development			5,646
Social services			8,224
Transportation			10,371
Regulation of business			2,456
Unallocated			2,672
Depreciation and amortization on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets			5,159
<b>Total depreciation/amortization expense - governmental activities</b>		<u>\$</u>	<u>75,807</u>
<b>Business-type activities:</b>			
Enterprise		\$	572
<b>Total depreciation expense - business-type activities</b>		<u>\$</u>	<u>572</u>

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2017, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Nevada System of Higher Education:</b>				
<b>Capital assets, not being depreciated</b>				
Construction in progress	\$ 139,735	\$ 121,224	\$ (167,224)	\$ 93,735
Land	151,230	1,355	-	152,585
Land improvements	1,835	-	(1,547)	288
Intangibles	-	642	-	642
Collections	11,502	283	(10)	11,775
Total capital assets, not being depreciated	<u>304,302</u>	<u>123,504</u>	<u>(168,781)</u>	<u>259,025</u>
<b>Capital assets, being depreciated</b>				
Buildings	2,551,539	181,362	(171)	2,732,730
Land and improvements	141,143	15,897	(964)	156,076
Machinery and equipment	364,450	21,033	(11,741)	373,742
Intangibles	42,959	1,721	-	44,680
Library books and media	120,804	2,266	(853)	122,217
Total capital assets, being depreciated	<u>3,220,895</u>	<u>222,279</u>	<u>(13,729)</u>	<u>3,429,445</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(877,705)	(65,243)	1,657	(941,291)
Land and improvements	(100,438)	(6,191)	(684)	(107,313)
Machinery and equipment	(268,752)	(24,593)	11,151	(282,194)
Intangibles	(25,453)	(4,472)	-	(29,925)
Library books and media	(115,248)	(2,521)	864	(116,905)
Total accumulated depreciation	<u>(1,387,596)</u>	<u>(103,020)</u>	<u>12,988</u>	<u>(1,477,628)</u>
Total capital assets, being depreciated, net	<u>1,833,299</u>	<u>119,259</u>	<u>(741)</u>	<u>1,951,817</u>
<b>Nevada System of Higher Education activity capital assets, net</b>	<u>\$ 2,137,601</u>	<u>\$ 242,763</u>	<u>\$ (169,522)</u>	<u>\$ 2,210,842</u>

**Note 8 - Capital Lease Receivable**

The State, as lessor, entered into a lease purchase agreement in fiscal year 2014 with the Nevada System of Higher Education (NSHE), a discretely presented component unit, as lessee. The agreement is to finance a building construction project at the Nevada State College. Construction was completed in fiscal year 2016. At the end of the lease, title to the buildings transfers to the NSHE. Construction was financed by Lease Revenue Certificates of Participation Series 2013 at 4.0-5.0% interest. Proceeds from the certificates of participation were used to pay the capitalized interest during the construction period, and NSHE has begun making capital lease principal and interest payments starting in fiscal year 2017.

The future minimum lease payments receivable for capital leases are as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 3,380
2019	3,381
2020	3,383
2021	3,383
2022	3,381
2023-2043	71,021
<b>Total future minimum lease revenues</b>	<b>\$ 87,929</b>

**Note 9 - Short-Term Obligations**

Primary Government - On August 30, 2016, the State issued short-term bonds of \$1,023,500 for the Q1 program to provide property acquisition, facility development and renovation, or wildlife habitat improvements by the Division of Wildlife. These bonds were paid off on June 1, 2017. There was no short-term debt outstanding at July 1, 2016 or June 30, 2017.

Note 10 - Long-Term Obligations

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2017 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,358,430	\$ 48,790	\$ (123,048)	\$ 1,284,172	\$ 105,532
Special obligation bonds	587,095	167,665	(48,595)	706,165	46,985
Subtotal	1,945,525	216,455	(171,643)	1,990,337	152,517
Issuance premiums (discounts)	221,726	24,749	(36,092)	210,383	34,850
Total bonds payable	2,167,251	241,204	(207,735)	2,200,720	187,367
Certificates of participation	89,225	3,730	(7,961)	84,994	4,165
Issuance premiums (discounts)	1,491	-	(443)	1,048	402
Total certificates of participation	90,716	3,730	(8,404)	86,042	4,567
Other Governmental long-term activities:					
Obligations under capital leases	20,177	-	(2,814)	17,363	2,382
Compensated absences obligations	92,015	87,842	(83,237)	96,620	64,957
Pollution remediation obligations	-	2,525	-	2,525	285
Total other governmental long-term activities	112,192	90,367	(86,051)	116,508	67,624
<b>Governmental activities long-term obligations</b>	<b>\$ 2,370,159</b>	<b>\$ 335,301</b>	<b>\$ (302,190)</b>	<b>\$ 2,403,270</b>	<b>\$ 259,558</b>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 69,480	\$ -	\$ (9,377)	\$ 60,103	\$ 9,623
Special obligation bonds	823,288	74,213	(255,671)	641,830	132,939
Subtotal	892,768	74,213	(265,048)	701,933	142,562
Issuance premiums (discounts)	15,688	-	(10,186)	5,502	3,718
Total bonds payable	908,456	74,213	(275,234)	707,435	146,280
Compensated absences obligations	1,698	1,509	(1,485)	1,722	1,179
Arbitrage rebate liability	972	103	-	1,075	1,075
Tuition benefits payable	211,119	13,904	(3,924)	221,099	19,161
<b>Business-type activities long-term obligations</b>	<b>\$ 1,122,245</b>	<b>\$ 89,729</b>	<b>\$ (280,643)</b>	<b>\$ 931,331</b>	<b>\$ 167,695</b>

The General Fund and special revenue funds typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the General Fund and State Highway Fund incurring the related salaries and wages costs. The debt service funds typically liquidate the arbitrage obligations.

B. Bonds Payable

The State issues general obligation bonds for the acquisition, construction and improvement of major capital facilities; buying local governments' bonds in the municipal bond bank fund; loans to municipalities for water projects; protection of natural resources; cultural affairs projects; the construction, reconstruction, improvement and maintenance of highways; and for refunding purposes. General obligation bonds are direct obligations and pledge the full faith and credit of the State.

Special obligation highway improvement revenue bonds provide funds for property acquisition and construction of highway projects. Special obligation unemployment compensation bonds are to repay the Federal Unemployment Advance as benefits paid significantly exceeded employer assessments during the national economic downturn. Special obligation housing bonds in the aggregate have a debt limit of \$5 billion and are used for housing loans or to purchase mortgage loans having both fixed and variable interest rates. Special obligation bonds are payable solely from gross pledged revenues and are not general obligations of the State.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2017

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(Note 10 Continued)

General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2017 are comprised of the following (expressed in thousands):

	Interest Rates	Original Amount	Principal Outstanding
<b>Governmental activities:</b>			
<b>General obligation bonds:</b>			
Subject to Constitutional Debt Limitation	1.754-6.17%	\$ 1,706,830	\$ 1,032,710
Exempt from Constitutional Debt Limitation	2.0-5.5%	630,937	251,462
<b>Special obligation bonds:</b>			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	3.0-5.0%	873,990	706,165
Subtotal		<u>3,211,757</u>	<u>1,990,337</u>
<b>Issuance premiums (discounts)</b>		<u>361,425</u>	<u>210,383</u>
<b>Governmental activities bonds payable</b>		<u>3,573,182</u>	<u>2,200,720</u>
<b>Business-type activities:</b>			
<b>General obligation bonds:</b>			
Exempt from Constitutional Debt Limitation	1.75-5.5%	93,372	60,103
<b>Special obligation bonds:</b>			
Unemployment Compensation Bonds	5.0%	548,900	128,045
Housing Bonds	*.50-6.95%	785,634	513,785
Subtotal		<u>1,427,906</u>	<u>701,933</u>
<b>Issuance premiums (discounts)</b>		<u>67,110</u>	<u>5,502</u>
<b>Business-type activities bonds payable</b>		<u>1,495,016</u>	<u>707,435</u>
<b>Total bonds payable</b>		<u>\$ 5,068,198</u>	<u>\$ 2,908,155</u>

\*Many Housing bonds have variable rates of interest. The tax exempt bonds track the SIFMA Index while the federally taxable debt tracks the one-month LIBOR Index.

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2017, of the primary government are summarized in the table following (expressed in thousands):

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
June 30				
2018	\$ 152,517	\$ 91,099	\$ 142,562	\$ 20,169
2019	144,603	84,398	32,103	15,021
2020	154,126	77,646	15,277	14,245
2021	160,588	69,733	14,450	13,584
2022	148,583	61,940	10,277	13,278
2023-2027	716,557	200,964	67,094	58,366
2028-2032	360,028	63,699	67,983	47,612
2033-2037	151,775	9,940	171,611	31,307
2038-2042	1,560	57	115,667	16,934
2043-2047	-	-	17,786	10,106
2048-2052	-	-	47,123	2,318
<b>Total</b>	<u>\$ 1,990,337</u>	<u>\$ 659,476</u>	<u>\$ 701,933</u>	<u>\$ 242,940</u>

### C. Constitutional Debt Limitations

Section 3, Article 9, of the State Constitution (as amended) limits the aggregate principal amount of the State's public debt to two percent (2%) of the assessed valuation of the State. Exempt from this limitation are debts authorized by the Legislature that are incurred for the protection and preservation of, or for obtaining the benefits of, any property or natural resources within the State. At June 30, 2017, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 2,294,555
Less: Bonds and leases payable as of June 30, 2017, subject to limitation	(1,034,015)
Remaining debt capacity	<u>\$ 1,260,540</u>



(Note 10 Continued)

**D. Nevada Municipal Bond Bank**

General obligation bonds have been issued through the Nevada Municipal Bond Bank, a special revenue fund, as authorized by NRS 350A. These bonds are subject to statutory limitation of \$1.8 billion and are exempt from the Constitutional Debt Limitation. Proceeds from the bonds are used to purchase validly issued general obligation bonds of the State’s local governments to finance projects related to natural resources. The State anticipates that the debt service revenue it receives from the participating local governments will be sufficient to pay the debt service requirements of the State bonds as they become due. Eleven projects were funded through the Nevada Municipal Bond Bank as of June 30, 2017, and total outstanding loans to local governments amounted to \$89,700,000.

**E. Refunded Debt and Redemptions**

During the fiscal year 2017, the State of Nevada refunded \$13,505,000 in general obligation, limited tax, bonds related to natural resources by issuing refunding bonds with a total par amount of \$12,265,000 at a \$2,589,511 premium. In addition, the Nevada Real Property Corporation repaid \$3,995,000 Certificates of Participation, by issuing refunding certificates with a total par amount of \$3,730,000. Proceeds from refunding bonds and certificates were used to refund certain outstanding State debt to realize debt service savings. The refunding decreased the aggregate debt service payments by \$2,502,688 with an economic or present value gain of \$1,973,793. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of \$1,146,083. This amount is being reported as a deferred outflow of resources and amortized as an adjustment to interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. The impact of the refunding issues is presented in the following table (expressed in thousands):

Issue Description:	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain
<b>General obligation bonds:</b>				
Natural Resources and Refunding Bonds Series 2016D	\$ 14,697	\$ 13,505	\$ 1,823	\$ 1,533
<b>Certificates of Participation:</b>				
Lease Revenue Refunding Legislative Counsel Bureau Project Series 2016A	4,071	3,995	680	441
<b>Total</b>	<u>\$ 18,768</u>	<u>\$ 17,500</u>	<u>\$ 2,503</u>	<u>\$ 1,974</u>

In current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State’s financial statements. The total outstanding amount of defeased issues at June 30, 2017 is \$556,459,811.

**F. Capital Leases**

The State has entered into various agreements for the lease of equipment and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2017 include building improvements of \$27,810,128 with accumulated depreciation of \$7,098,953.

For all capital leases of the primary government, the gross minimum lease payments and the present value of the net minimum lease payments as of June 30, 2017 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2018	\$ 3,157
2019	3,241
2020	3,069
2021	3,035
2022	2,694
2023-2025	5,226
Total minimum lease payments	20,422
Less: amount representing interest	(3,059)
<b>Obligations under capital leases</b>	<u>\$ 17,363</u>

(Note 10 Continued)

**G. Certificates of Participation**

In fiscal year 2010, the NRPC, a blended component unit, issued \$7,900,000 of General Obligation Certificates of Participation series 2009 at 5.0-5.125% interest to prepay the remaining outstanding balance of the 1999 issue of the Nevada Real Property Corporation. The original 1999 issue of \$15,000,000 was to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility. The 2009 issue is a direct general obligation of the State to which the full faith and credit of the State is pledged. The State is required to make payments from general (ad valorem) taxes in the Consolidated Bond Interest and Redemption debt service fund that approximate the interest and principal payments made by trustees to certificate holders.

In fiscal year 2014, the NRPC issued \$35,785,000 of Lease Revenue Refunding Certificates of Participation Series 2013 at 3.0-5.0% interest to refund the outstanding balances of Lease Revenue Certificates of Participation Series 2004 and 2004B, which were to finance the acquisition and construction of the State’s Capitol Complex Building 1 and Casa Grande Projects respectively.

In fiscal year 2014, the NRPC issued \$50,445,000 of new Lease Revenue Certificates of Participation Series 2013 at 4.0-5.0% interest to finance the State’s Nevada State College Project. The Project is leased to the Nevada System of Higher Education (NSHE), the State’s discretely presented component unit. Meanwhile, the NRPC entered into a Ground Lease with respect to the real property on which the Project is located.

In fiscal year 2017, the NRPC issued \$3,730,000 of Lease Revenue Refunding Certificates of Participation Series 2016A at 2.22% interest to refund the outstanding balances of Lease Revenue Certificate of Participation Series 2006 which were to finance the design and construction of a warehouse addition to the Legislative Counsel Bureau’s existing State Printing Office building in Carson City and resurfacing of the exterior of the existing building, together with related improvements on the premises.

Under the lease revenue certificates of participation financing arrangements, the certificates are not general obligations of the State and are not backed by the faith and credit or the taxing power of the State. The State’s obligation to pay base rent and make other payments to the trustee under the financing leases is subject to appropriation by the State. In the event that the State does not make a sufficient appropriation with respect to a Lease Purchase Agreement, that Lease Purchase Agreement will terminate.

The following schedule presents future certificates of participation payments as of June 30, 2017 (expressed in thousands):

Year Ending June 30	Principal	Interest
2018	\$ 4,165	\$ 3,872
2019	3,042	3,722
2020	3,239	3,597
2021	3,376	3,463
2022	3,517	3,313
2023-2027	19,780	13,918
2028-2032	19,665	9,362
2033-2037	11,035	5,875
2038-2042	13,955	2,959
2043	3,220	161
<b>Total</b>	<b>\$ 84,994</b>	<b>\$ 50,242</b>

**H. Tuition Benefits Payable**

The Higher Education Tuition Trust Fund, an enterprise fund, reports benefits payable as shown in Section A based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts as follows (expressed in thousands):

APV of the future tuition obligation	\$221,099
Net position available	298,836
Net position as a percentage of tuition benefits obligation	135.16%

The actuarial valuation used an investment yield assumption of 5.00% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
2018-19	4.00%	4.00%
2019-20 and later	4.75%	4.00%

**I. Arbitrage Rebate Requirement**

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2017, and changes for the fiscal year then ended are presented in Section A of this note.

(Note 10 Continued)

### J. Conduit Debt Obligations

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. During the 2013 session, the Nevada Legislature enacted the Charter School Financing Law, which authorizes the issuance of Charter School Bonds and other obligations to finance the acquisition, construction, improvement, maintenance or furnishing of land, buildings and facilities for Charter Schools in the State of Nevada. The above two types of bonds are secured by the properties financed and are payable solely from payments received on the underlying mortgage loans. The State is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, there are four series of Industrial Revenue Bonds and one series of Charter School Bonds outstanding, with an aggregate principal amount payable of \$634,135,507.

### K. Pledged Revenue

*Pledged motor vehicle and special fuel tax* - The State has pledged a portion of future motor vehicle fuel and special fuel tax revenues as well as federal aid for eligible projects to repay the Highway Improvement Revenue Bonds that were issued for highway construction projects and property acquisition purposes. As of June 30, 2017, the outstanding balance of Highway Improvement Revenue and Refunding bonds is \$706,165,000. The total of principal and interest remaining on the bonds is \$982,999,025 payable through December 2034. Upon completion of eligible projects, federal aid of \$343,436,484 is expected to be received in fiscal year 2018. For the current year, principal and interest paid was \$79,919,601 and total motor vehicle fuel and special fuel tax revenues were \$297,091,246.

*Pledged future lease rental payments* - With respect to each series of Lease Revenue Certificates of Participation, the NRPC, a blended component unit, has pledged its rights, title and interest in the applicable Ground Lease and Lease Purchase Agreement to the Trustee (including the right to receive payments of base rent and other payments). As of June 30, 2017, the outstanding balance of Lease Revenue Certificates of Participation is \$83,689,000. The total of principal and interest remaining on the certificates is \$133,898,470 payable through June 2043. In fiscal year 2017, principal and interest of \$6,635,671 was paid, which includes the interest payment of \$1,216,388 paid entirely by the excess certificate proceeds for the State's Nevada State College Project as discussed in Section G of this note and Note 8. Building rent of \$7,000,000 is expected to be collected in fiscal year 2018, which will be used to pay the fiscal year 2018 debt service principal and interest of \$6,669,207.

*Pledged additional assessments of unemployment contributions* - The State has pledged additional assessments on unemployment contributions (special bond contributions), the proceeds derived from the sale of bonds, and related investment earnings to repay \$548,900,000 of Unemployment Compensation Fund Special Revenue Bonds issued on November 6, 2013. The revenue bonds were issued for the purposes of repaying the Federal Unemployment Advance that occurred during the last recession and funding a deposit to the Nevada UITF Account to avoid the need for further advances. Pursuant to NRS 612.6132, special bond contributions must be established at levels sufficient to pay debt service on the bonds. As of June 30, 2017, the outstanding balance of the bonds is \$131,079,204. The total principal and interest remaining on the bonds is \$132,643,250 payable through June 2018. In fiscal year 2017, principal and interest of \$163,480,875 was paid. As of June 30, 2017, \$70,229,501 was held by the trustee for the benefit of the bondholders. Special bond contributions of \$199,941,575 are expected to be collected in fiscal year 2018, which, along with assets held by the trustee, will be used to pay the fiscal year 2018 debt service principal and interest of \$132,643,250.

*Pledged Nevada Housing Division program funds* - The single-family bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; the rights and interest of the Housing Division in all mortgage loans purchased under the various bond certificates; revenues which primarily include mortgage repayments and the net income, if any, derived as a result of foreclosure or other action taken in the event of a default on such a mortgage loan; curtailments, consisting generally of all amounts representing monthly principal payments with respect to mortgage loans which are received in advance of the scheduled amortization thereof; and all earnings realized by the investment of monies in all funds and accounts as well as all funds and accounts created by the various bond certificates.

The multi-unit bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; all earnings realized from the investment of bond proceeds; after permanent financing, all revenues received from the development including housing assistance and rental payments made by tenants, notes receivable collateralized by deeds of trust and the rights to FHA insurance, draws on bank letters of credit, private mortgage and hazard insurance and condemnation proceeds.

As of June 30, 2017, the outstanding balance of single-family and multi-unit bonds is \$514,415,679. The total of principal and interest remaining on the bonds is \$741,651,354 payable through June 2052. In fiscal year 2017, principal and interest

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2017

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(Note 10 Continued)

of \$59,977,727 was paid. As of June 30, 2017, \$184,492,968 was held by the trustee for the benefit of the single-family bondholders. The amount of payments received for mortgage loans in fiscal year 2017 is \$30,406,228. Fifty million is expected to be collected in fiscal year 2018, which, along with assets held by the trustee, will be used to pay the fiscal year 2018 debt service principal and interest of \$18,280,186.

with these sites were measured using the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution. As of June 30, 2017 the liability, by component, is as follows (expressed in thousands):

## L. Pollution Remediation Obligation

Currently there are four sites in Nevada in various stages of pollution cleanup associated with contaminated soil and groundwater. The pollution remediation liabilities associated

Post remediation and site closure	\$	375
Site assessment		150
Site remediation		2,000
<b>Total pollution remediation obligation</b>	<b>\$</b>	<b>2,525</b>

## M. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2017, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 595,296	\$ 47,556	\$ (20,137)	\$ 622,715	\$ 30,679
Issuance premiums (discounts)	41,226	1,055	(2,981)	39,300	2,989
Total bonds payable	636,522	48,611	(23,118)	662,015	33,668
Obligations under capital leases	51,941	18,627	(19,344)	51,224	1,234
Compensated absences obligations	49,805	33,732	(33,700)	49,837	34,945
<b>Total</b>	<b>\$ 738,268</b>	<b>\$ 100,970</b>	<b>\$ (76,162)</b>	<b>763,076</b>	<b>69,847</b>
Discretely presented component units of the NSHE:					
Compensated absences				263	-
<b>Total</b>				<b>\$ 763,339</b>	<b>\$ 69,847</b>

Tuition and fees, auxiliary enterprises' revenue and certain other revenue as defined in the bond indentures secure the revenue bonds.

Future net minimum rental payments which are required under the capital leases by NSHE for the years ending June 30 are as follows (expressed in thousands):

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2017 (expressed in thousands):

Year Ending June 30	Principal	Interest
2018	\$ 33,668	\$ 26,031
2019	37,169	24,929
2020	36,362	23,647
2021	34,130	22,367
2022	34,479	21,086
2023-2027	145,493	86,011
2028-2032	130,891	57,709
2033-2037	116,635	30,833
2038-2042	56,643	13,076
2043-2047	36,545	2,991
<b>Total</b>	<b>\$ 662,015</b>	<b>\$ 308,680</b>

Year Ending June 30	Amount
2018	\$ 3,710
2019	3,712
2020	3,704
2021	3,577
2022	3,517
2023-2027	17,589
Thereafter	54,121
Total minimum lease payments	89,930
Less: amount representing interest	(38,706)
<b>Obligations under capital leases</b>	<b>\$ 51,224</b>

(Note 10 Continued)

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2017, and the changes for the year then ended, consist of the following (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 39,195	\$ -	\$ (5,015)	\$ 34,180	\$ 5,965
Issuance premiums (discounts)	25	-	(181)	(156)	-
Total bonds payable	39,220	-	(5,196)	34,024	5,965
Compensated absences obligations	323	206	(209)	320	188
<b>Total</b>	<u>\$ 39,543</u>	<u>\$ 206</u>	<u>\$ (5,405)</u>	<u>\$ 34,344</u>	<u>\$ 6,153</u>

Scheduled maturities for bonds payable by CRC for the years ending June 30 are as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 5,965	\$ 1,208
2019	730	1,063
2020	740	1,050
2021	755	1,033
2022	770	1,015
2023-2027	4,215	4,712
2028-2032	5,000	3,900
2033-2037	6,090	2,775
2038-2042	6,830	1,391
2043-2044	3,085	132
<b>Total</b>	<u>\$ 34,180</u>	<u>\$ 18,279</u>

**Note 11 - Pensions and Other Employee Benefits**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each pension plan and additions to/ deductions from each pension plan’s fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The aggregate pension related amounts for the primary government consist of a net pension liability of \$2,208,435,609, deferred outflows of resources of \$364,203,740, deferred inflows of resources of \$183,013,732 and pension expense of \$163,018,709. The State’s defined benefit pension plans are described in detail below.

**A. Public Employees’ Retirement System of Nevada**

*Plan Description* – The Public Employees’ Retirement System (PERS) was established in 1947 by the Nevada Legislature and is governed by the Public Employees’ Retirement

Board whose seven members are appointed by the governor. PERS administers a cost-sharing multiple-employer defined benefit pension plan that covers qualified State employees and employees of participating local government entities in the State. Any public employer in the State may elect to have its regular and police/fire employees covered by PERS. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. That report may be obtained on the PERS website at [www.nvpers.org](http://www.nvpers.org).

*Pension Benefits* – Benefits provided to participants or their beneficiaries include retirement, disability, and survivor benefits. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member’s highest average compensation in any 36 consecutive months, with special provisions for members entering the System on or after January 1, 2010. Members become fully vested as to benefits upon completion of 5 years of service. Unreduced benefits are available, depending upon when the member entered the System, as follows:



(Note 11 Continued)

<b>Regular Members</b>	<b>Police/Fire Members</b>
<u>Before January 1, 2010</u>	<u>Before January 1, 2010</u>
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 60 with 10 years of service	Age 55 with 10 years of service
Any age with 30 years of service	Age 50 with 20 years of service
	Any age with 25 years of service
<u>On or after January 1, 2010</u>	<u>On or after January 1, 2010</u>
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 62 with 10 years of service	Age 60 with 10 years of service
Any age with 30 years of service	Age 50 with 20 years of service
	Any age with 30 years of service
<u>On or after July 1, 2015</u>	<u>On or after July 1, 2015</u>
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 62 with 10 years of service	Age 60 with 10 years of service
Age 55 with 30 years of service	Age 50 with 20 years of service
Any age with 33.3 years of service	Any age with 30 years of service

Members with the years of service necessary to receive a retirement benefit but who have not reached the age for an unreduced benefit may retire at any age with the benefit reduced by 4% (for members entering the System before January 2, 2010) or 6% (for members entering the System on or after January 1, 2010) for each full year they are under the required age.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. Lastly, for members entering the System on or after July 1, 2015, there is a 2.25% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Retirees are eligible for annual benefit increases if they began receiving benefits at least 3 years before the effective date of the increase. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. The increases begin at 2% in years 4, 5 and 6; increase to 3% in years 7, 8 and 9; 3.5% in years 10, 11 and 12; 4% for years 13 and 14; and 5% in year 15 and each year thereafter. For retirees entering the System on or after January 1, 2010, increases are capped at 4% in year 13 and each year thereafter. If the benefit outpaces inflation in the period since retirement, the increase may be capped by a rolling three-year average of the Consumer Price Index (all items). For retirees entering the System on or after July 1, 2015, the increases begin at 2% in years 4, 5 and 6; increase to 2.5% in years 7, 8 and 9; the lesser of 3% or the increase, if any, in the Consumer Price Index (all items) for the preceding calendar years following year 10 and every year thereafter.

*Member and Employer Contributions* - The authority for establishing and amending the obligation to make contributions, and member contribution rates, is set by statute. New hires of the State of Nevada and public employers have the option of selecting either the employee/employer contribution plan or the employer-pay contribution plan. Under the employee/employer contribution plan, the employee and the employer each make matching contributions. Under the employer-pay contribution plan, the employer pays all contributions on the employee's behalf; however, the employee shares equally in the cost of the contribution rate either through salary reduction or in lieu of a promised pay increase.

PERS' basic funding policy provides for periodic contributions as a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due. Although PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2017 were as follows:

	<b>Statutory Rate</b>	
	<b>Employer</b>	<b>Employees</b>
<b>Regular employees:</b>		
Employer-pay plan	28.00%	na
Employee/employer plan (matching rate)	14.50%	14.50%
<b>Police and Fire employees:</b>		
Employer-pay plan	40.50%	na
Employee/employer plan (matching rate)	20.75%	20.75%

State contributions recognized as part of pension expense for the current fiscal year ended June 30, 2017 were \$138,353,385.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2017, the State reported a liability of \$2,187,213,426, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2016, the State's proportion was 16.25%, a decrease of .15% from its proportion measured at June 30, 2015.

(Note 11 Continued)

For the year ended June 30, 2017, the State recognized pension expense of \$158,759,762. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (146,462)
Net difference between projected and actual earnings on pension plan investments	203,329	-
Changes in proportionate share of contributions	2,798	(32,336)
State contributions subsequent to the measurement date	147,809	-
<b>Total</b>	<b>\$ 353,936</b>	<b>\$ (178,798)</b>

Deferred outflows of resources of \$147,808,975 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2018	\$ (28,267)
2019	(28,267)
2020	60,681
2021	25,993
2022	(7,698)
Thereafter	4,887

*Actuarial Assumptions* – The State’s net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	3.50%
<i>Payroll growth:</i>	5.00%, including inflation
<i>Investment rate of return:</i>	8.00%
<i>Productivity pay increase:</i>	0.75%
<i>Projected salary increases:</i>	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.50%, depending on service Rates include inflation and productivity increases
<i>Consumer price index:</i>	3.50%
<i>Other assumptions:</i>	Same as those used in the June 30, 2016 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males) for regular members and set forward one year for police/fire members. Mortality rates for disabled members were based on the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2016 valuation were based on an experience study for the period from July 1, 2006, through June 30, 2012.

*Investment Policy* - The PERS Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these asset allocations and capital market expectations annually. The System’s target asset allocations and current long-term geometric expected real rates of return for each asset class included in the fund’s investment portfolio as of June 30, 2016, are included in the following table:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private markets	10%	6.80%

*Discount Rate* – The discount rate used to measure the total pension liability was 8% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan’s current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are

(Note 11 Continued)

intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the State’s proportionate share of the net pension liability at June 30, 2016 calculated using the discount rate of 8%, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	\$ 3,206,028	\$ 2,187,213	\$ 1,339,573

*Pension Plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS’ report.

*Payables to the pension plan* – At June 30, 2017, the State reported payables to the defined benefit pension plan of \$22,764,745 for legally required employer contributions which had been withheld from employee wages but not yet remitted to PERS.

**B. Legislators’ Retirement System of Nevada**

*Plan Description* – The Legislators’ Retirement System (LRS) is a single-employer defined benefit pension plan established in 1967 by the Nevada Legislature (NRS 218C) and is governed by the Public Employees’ Retirement Board whose seven members are appointed by the governor. All State Legislators are members. LRS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. LRS’ financial report may be obtained from the Public Employees’ Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

At June 30, 2016, the LRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	77
Inactive vested members	14
Inactive non-vested members	25
Active members	31
<b>Total</b>	<b>147</b>

*Pension Benefits* – Benefits are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefits payments to which participants may be entitled under the plan include pension and survivor benefits. Monthly benefit allowances are \$25 for each year of service up to 30 years.

If a Legislator is newly elected after July 1, 1985, they must have at least 10 years of service, be age 60, and no longer be a Legislator in order to retire without benefit reduction. If a Legislator is no longer serving and has at least 10 years of service but is under the age of 60, they can elect to wait to receive their benefit until the age of 60 or begin receiving a reduced benefit prior to the age of 60. The minimum requirement for an unreduced benefit for a Legislator elected prior to July 1, 1985, is 8 years of accredited service at age 60.

Members are eligible for post-retirement benefit increases based on their effective date of membership. For members with an effective date of membership before January 1, 2010, the lesser of: (a) 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or (b) the average percentage increase in the Consumer Price Index (or other Board approved index) for the three preceding years. In any event, a member’s benefit must be increased by the percentages in (a) if it has not been increased at a rate greater than or equal to the average of the Consumer Price Index (CPI) (All items) (or other Board approved index) for the period between retirement and the date of increase. For members with an effective date of membership on or after January 1, 2010, and prior to July 1, 2015, same as above, except the increases in (a) above do not exceed 4% per year. For members with an effective date of membership on or after July 1, 2015, 2% per year following the third through fifth anniversaries of the commencement of benefits; 2.5% per year following the sixth through eighth anniversaries. On succeeding anniversaries, the annual increase shall be the lesser of 3% or the CPI for the preceding calendar year. For future retirees, those hired prior to 2010 are assumed to reach the cap after 24 years of retirement. Those hired in 2010 or later are assumed to reach the cap after 39 years of retirement. Underlying all of these assumptions is that CPI will grow over time at a rate of 3.5% per year.

*Member and Employer Contributions* - The employee contribution of 15% of compensation is paid by the employee only when the Legislature is in session, as required by statute. The



(Note 11 Continued)

Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218C.390(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$311,710 for fiscal years 2015 and 2016, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2016, of which \$155,855 (half) was recognized as employer contributions in the fiscal year 2015, and the other half recognized as employer contributions in fiscal year 2016.

State contributions recognized as part of pension expense for the fiscal year ended June 30, 2017 were \$155,855.

LRS' basic funding policy provides for contributions by the State based on a biennial actuarial valuation prepared per NRS 281C.390(2). The Actuarially Determined Employers' Contribution (ADEC) includes the employer's normal cost and a provision for amortizing the Unfunded Actuarial Accrued Liability (UAAL). Beginning July 1, 2014, actuarial valuations are done annually. Effective with the January 1, 2009 valuation, the UAAL is amortized as a level dollar amount over a declining amortization period of 20 years. Any increases or decreases in the UAAL that arise in future years will be amortized over separate 20-year periods. In addition, the Actuarial Value of Assets (AVA) was limited to not less than 75% or greater than 125% of market value. The actuarial funding method used is the Entry Age Normal Cost Method.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

– At June 30, 2017, the State reported a net pension liability of \$712,848. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2017, the State recognized pension income of \$100,834. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 173	\$ -
Difference between expected and actual experience	-	(8)
State contributions subsequent to the measurement date	105	-
<b>Total</b>	<b>\$ 278</b>	<b>\$ (8)</b>

Deferred outflows of resources of \$104,834 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<b>Year Ended June 30:</b>	
2018	\$ (2)
2019	6
2020	100
2021	61
2022	-
Thereafter	-

(Note 11 Continued)

The following table presents the changes in the net pension liability for LRS for the year ended June 30, 2016 (expressed in thousands):

	<b>2016</b>
<b>Total pension liability</b>	
Service cost	\$ 31
Interest	414
Differences between expected and actual experience	(145)
Benefit payments, including refunds	(503)
Net change in total pension liability	(203)
Total pension liability - beginning	5,390
<b>Total pension liability - ending (a)</b>	<b>\$ 5,187</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 156
Contributions - employee	23
Net investment income	62
Benefit payments, including refunds	(503)
Administrative expense	(65)
Other	66
Net change in plan fiduciary net position	(261)
Plan fiduciary net position - beginning	4,735
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,474</b>
<b>Net pension liability - beginning</b>	<b>\$ 655</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 713</b>
Plan fiduciary net position as a percentage of total pension liability	86%
Covered payroll	N/A
Net pension liability as a percentage of covered payroll	N/A

*Actuarial Assumptions* – The State’s net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	3.50%
<i>Investment rate of return:</i>	8.00%
<i>Projected salary increases:</i>	3.50%
<i>Consumer price index:</i>	3.50%
<i>Other assumptions:</i>	Same as those used in the June 30, 2016 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males).

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the actuarial experience study for the period July 1, 2006, through June 30, 2012.

*Investment Policy* – The Retirement Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these asset allocations and capital market expectations annually. The System’s target asset allocations and current long-term expected real rates of return for each asset class included in the fund’s investment portfolio as of June 30, 2016, are included in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic equity	49%	5.50%
International equity	21%	5.75%
Domestic fixed income	30%	0.25%

*Discount Rate* – The discount rate used to measure the total pension liability was 8% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions

(Note 11 Continued)

that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	\$ 1,153	\$ 713	\$ 335

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued LRS report.

*Payables to the pension plan* – At June 30, 2017, the State had no payables to the defined benefit pension plan for legally required employer contributions.

**C. Judicial Retirement System of Nevada**

*Plan Description* – The Judicial Retirement System (JRS) is an agent multiple-employer defined benefit pension plan established in 2001 by the Nevada Legislature (NRS 1A.160) and is governed by the Public Employees' Retirement Board whose seven members are appointed by the governor. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. JRS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. JRS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

At June 30, 2016, the JRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	70
Inactive vested members	2
Active members	107
<b>Total</b>	<u><u>179</u></u>

*Pension Benefits* - Benefits are paid according to various options contained in pertinent statutes, dependent upon whether a member was serving as a Supreme Court justice or district judge before November 5, 2002. Retiring members who were serving as a judge before November 5, 2002 may select among the two benefit options below. Retiring members who began serving as a justice or judge on or after November 5, 2002 may select only the first option below.

Option 1 - 2003 Benefit Plan: Benefits, as required by statute, are computed at 3.4091% per year of accredited service at the time of retirement times the member's highest average compensation in any 36 consecutive months, to a maximum of 75%. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and survivor benefits.

Option 2 – Previous Benefit Plan: Retiring members who were serving as a Supreme Court justice or district judge prior to November 5, 2002 may select benefit payments computed at 4.1666% for each year of service, up to a total maximum of 22 years, times the member's compensation for their last year of service.

Members who retired under the Previous Benefit Plan (plan in effect before November 5, 2002) and are appointed as senior judges can earn service credit while receiving their pension payments. They are eligible to have their benefit recalculated each time they earn an additional year of service credit.

Members enrolled in the Judicial Retirement Plan on or after July 1, 2015 will receive 3.1591% for each year of service. Each member is entitled to a benefit of not more than 75% and must contribute 50% of the contribution rate through payroll deductions.

Members of the System become fully vested after five years of service. A member of the System is eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with 30 years of service. For those members who were serving as a Supreme Court justice or district judge prior to November 5, 2002, and selected the second benefit option, eligibility for retirement is at age 60 with five years of service.

Members enrolled on or after July 1, 2015, become fully vested after five years of service. Eligible retirement age is 65 with five years of service, at age 62 with 10 years of service, age 55 with 30 years of service, and at any age with 33 1/3 years of service.

(Note 11 Continued)

*Member and Employer Contributions* –The participating employers submit the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses. Also, the participating employers pay to the JRS an amount on the unfunded liability which is actuarially determined to be sufficient to enable the JRS to pay all current benefits for which the JRS is liable.

JRS’ basic funding policy provides for contributions by the participating employers based on an actuarial valuation prepared per Nevada Revised Statute (NRS 1A.180(1)). The amount of the annual contribution required to fund the System is comprised of a normal cost payment and a payment on the Unfunded Actuarial Accrued Liability (UAAL). Effective January 1, 2009, UAAL is amortized over a year-by-year closed amortization period as a level percent of pay (3% payroll growth assumed) where each amortization period will be set at 30 years for State judges (Supreme Court justices and district judges) and 20 years for each non-state agency. Any increases or decreases in UAAL that arise in future years will be amortized over separate 30-year periods for State judges and 20-year periods for non-state judges. The actuarial funding method used is the Entry Age Normal Cost Method.

The State’s annual actuarially determined contribution to fund the System at June 30, 2017 was \$5,138,014 and the actual contribution made was \$5,261,970.

*Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2017, the State reported a liability of \$20,509,335 for its net pension liability for the JRS pension plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State’s net pension liability was based on an individual basis and based on the plan provisions and benefit accrual rates applicable to that individual.

For the year ended June 30, 2017, the State recognized pension expense of \$4,359,781. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 671	\$ (4,045)
Net difference between projected and actual earnings on pension plan investments	4,050	-
Changes in proportion and differences between State contributions and proportionate share of contributions	112	-
State contributions subsequent to the measurement date	5,262	-
<b>Total</b>	<b>\$ 10,095</b>	<b>\$ (4,045)</b>

Deferred outflows of resources of \$5,261,970 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<b>Year Ended June 30:</b>	
2018	\$ (535)
2019	(535)
2020	1,221
2021	508
2022	-
Thereafter	-

(Note 11 Continued)

The following table presents the changes in the net pension liability for the JRS plan as a whole for the year ended June 30, 2016 (expressed in thousands):

	<b>2016</b>
<b>Total pension liability</b>	
Service cost	\$ 3,828
Interest	9,677
Differences between expected and actual experience	(4,211)
Benefit payments, including refunds	<u>(5,351)</u>
Net change in total pension liability	3,943
Total pension liability - beginning	<u>119,810</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 123,753</u></b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 5,773
Employee purchase of service	269
Net investment income	1,556
Benefit payments, including refunds	(5,351)
Administrative expense	<u>(90)</u>
Net change in plan fiduciary net position	2,157
Plan fiduciary net position - beginning	<u>98,945</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 101,102</u></b>
<b>Net pension liability - beginning</b>	<b>\$ 20,865</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 22,651</b>
Plan fiduciary net position as a percentage of total pension liability	82%
Covered payroll (measurement as of end of fiscal year)	\$ 20,154
Net pension liability as a percentage of covered payroll	112%

*Actuarial Assumptions* – The State’s net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	3.50%
<i>Investment rate of return:</i>	8.00%
<i>Projected salary increases:</i>	3.00% - 8.00% varies by service
<i>Consumer price index:</i>	3.50%
<i>Other assumptions:</i>	Same as those used in the June 30, 2016 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males).

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2012.

*Investment Policy* – The Retirement Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class.

The Board reviews these asset allocations and capital market expectations annually. The System’s target asset allocations and current long-term expected real rates of return for each asset class included in the fund’s investment portfolio as of June 30, 2016, are included in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic equity	49%	5.50%
International equity	21%	5.75%
Domestic fixed income	30%	0.25%

*Discount Rate* – The discount rate used to measure the total pension liability was 8% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions will be made monthly at the current contribution rate and the payment to amortize the unfunded actuarial liability is assumed to be paid at the end of the year for State and monthly for non-state agencies. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



(Note 11 Continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the State’s proportionate share of the net pension liability using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	\$ 33,349	\$ 20,509	\$ 9,658

*Pension Plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued JRS report.

*Payables to the pension plan* – At June 30, 2017, the State reported payables to the defined benefit pension plan of \$388,462 for legally required employer contributions not yet remitted to JRS.

**D. Other Postemployment Benefits**

*Plan Description* – The State Retirees’ Health and Welfare Benefits Fund, Public Employees’ Benefits Program (“PEBP”) of the State of Nevada (“Retirees’ Fund”) was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees. NRS 287.0436 established the Retirees’ Fund as an irrevocable trust fund for the purpose of providing retirement benefits other than pensions. The Retirees’ Fund is a multiple-employer cost-sharing defined postemployment benefit plan administered by the Board of the Public Employees’ Benefits Program of the State of Nevada. The Retirees’ Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the PEBP. PEBP administers a group health and life insurance program for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. NAC 287.530 establishes the benefit upon the retiree. All Nevada public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees’ Fund. State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

The Retirees’ Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retirees’ Fund as a trust

fund. The Retirees’ Fund financial report may be obtained from Public Employees’ Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

*Summary of Significant Accounting Policies* - The financial statements of the Retirees’ Fund have been prepared using the accrual basis of accounting and the economic resources measurement focus. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Retirees’ Fund does not receive member contributions.

*Method Used to Value Investments* – The Retiree’s Fund and the Retirement Benefit Investment Fund (RBIF) both hold investments that are measured at fair value on a recurring basis and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All investments are classified in Level 1.

*Contributions and Funding Policy* - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees’ Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2016 through June 30, 2017 the rate assessed was 2.357% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. For the year ended June 30, 2017, the State, its component units, State Boards and Commissions, and other participating public employers contributed \$38,048,603 to the plan, which is 100% of the contractually required contribution. For the years ended June 30, 2016 and 2015 the State, its component units, State Boards and Commissions, and other participating public employers contributed \$32,213,079, and \$37,758,981, respectively, to the plan, which equaled 100% of the contractually required contribution each year.

**Note 12 - Risk Management**

The State of Nevada established the Self-Insurance and Insurance Premiums funds in 1983 and 1979, respectively. Both funds are classified as internal service funds.

Interfund premiums are reported as interfund services provided and used. All State funds participate in the insurance program. Changes in the claims liabilities during the past two fiscal years were as follows (expressed in thousands):

	<b>Self Insurance Fund</b>	<b>Insurance Premiums Fund</b>
Balance June 30, 2015	\$ 60,658	\$ 64,739
Claims and changes in estimates	220,238	14,736
Claim payments	(217,882)	(15,758)
Balance June 30, 2016	63,014	63,717
Claims and changes in estimates	228,478	15,866
Claim payments	(222,823)	(13,858)
<b>Balance June 30, 2017</b>	<b>\$ 68,669</b>	<b>\$ 65,725</b>
Due Within One Year	\$ 68,669	\$ 18,133

In accordance with GASB, a liability for claims is reported if information received before the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include incremental claims adjustment costs. A reserve for losses has been established in both funds to account for these liabilities and is included in the liability section of the Statement of Net Position.

There was no insurance coverage for excess liability insurance.

There are several pending lawsuits or unresolved disputes involving the State or its representatives at June 30, 2017. The estimated liability for these claims has been factored into the calculation of the reserve for losses and loss adjustment expenses developed.

**A. Self-Insurance Fund**

The Self-Insurance Fund administers the group health, life and disability insurance for covered employees, both active and retired, of the State and certain other participating public employers within the State. All public employers in the State are eligible to participate in the activities of the Self-Insurance Fund and currently, in addition to the State, there are five public employers whose employees are covered under the plan. Additionally, all retirees of public employers contracted with the Self-Insurance Fund to provide coverage to their active employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their

retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, the State, the Nevada System of Higher Education and one hundred twenty-two public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employees' Benefit Program Board. The Board is composed of ten members, nine members appointed by the Governor, and the Director of the Department of Administration or their designee.

The Self-Insurance Fund is self-insured for medical, dental, vision, mental health and substance abuse benefits and assumes all risk for claims incurred by plan participants. Fully insured HMO products are also offered. Long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, fund rate-setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

The management of the Self-Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported and the unused portion of the Health Reimbursement Arrangement (HRA) liability. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Upon consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

**B. Insurance Premiums Fund**

The Insurance Premiums Fund provides general, civil (tort), and auto liability insurance to State agencies, workers' compensation insurance for State employees excluding NSHE, and auto physical damage and property insurance for State agencies.

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy for workers' compensation. Liabilities in the amount of

*(Note 12 Continued)*

\$48,602,497 as of June 30, 2017 were determined using standard actuarial techniques as estimates for the case, reserves, incurred but not reported losses and allocated loss adjustment expenses under the plan as of June 30, 2017.

The Fund is financed by the State. The State has a maximum exposure of \$50,000 through October 1, 2007, \$75,000 through October 1, 2011 and \$100,000 thereafter for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal court. Those claims filed in federal court are not subject to the limit. Per State statute, if, as the result of future general liability or catastrophic losses, fund resources are exhausted, coverage is first provided by the reserve for statutory contingency account and would then revert to the General Fund.

The Fund is fully self-insured for general, civil and vehicle liability. The Fund is also self-insured for comprehensive and collision loss to automobiles, self-insured to \$250,000 for property loss with commercial insurance purchased to cover the excess above this amount, and commercially insured for losses to boilers and machinery and certain other risks.

At June 30, 2017, incurred but not reported claims liability for general, civil and auto liability insurance is based upon standard actuarial techniques, which take into account financial data, loss experience of other self-insurance programs and the insurance industry, the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged property. The liability for estimated losses from reported

and unreported claims in excess of the amounts paid for the workers' compensation policies is determined using standard actuarial techniques, which take into account claims history and loss development factors for similar entities. Incurred but not reported claims liabilities are included in the reserve for losses.

The State is contingently liable for the cost of post retirement heart and lung disease benefits payable under the Nevada Occupational Disease Act. Any fireman or police officer that satisfies the two-year employment period requirement under this act is eligible for coverage under Workers' Compensation for heart and lung disease. A range of estimated losses from \$5,179,500 to \$18,514,000 for heart disease and \$6,042,730 for lung disease have been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2017 total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$48,981,936. The Fund is liable for approximately \$49,000,000 as of June 30, 2017 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

## **Note 13 - Fund Balances and Net Position**

### **A. Net Position-Restricted by Enabling Legislation**

The government-wide statement of net position reports \$2,870,043,533 of net position-restricted for the primary government, of which \$245,408,188 is restricted by enabling legislation.

### **B. Governmental Fund Balances**

Governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the State is bound to observe constraints imposed on the use of the resources of the fund. A summary of governmental fund balances at June 30, 2017, is shown below (expressed in thousands):



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2017

NEVADA

(Note 13 Continued)

	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental
	General	State Highway	Municipal Bond Bank	Permanent School		
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Long term notes/loans receivable	\$ 13,956	\$ -	\$ 85,510	\$ -	\$ -	\$ 99,466
Inventory	7,585	15,129	-	-	439	23,153
Advances	4,347	-	-	-	-	4,347
Prepaid items	2,360	33	-	-	11	2,404
Permanent fund principal	-	-	-	350,781	30	350,811
<b>Restricted for:</b>						
Administration	121	-	-	-	12,632	12,753
Agriculture	160	-	-	-	-	160
Business and industry	6,644	-	-	-	31,970	38,614
Capital projects	-	-	-	-	57,308	57,308
Conservation and natural resources	39,449	-	-	-	4,158	43,607
Corrections	2	-	-	-	13,669	13,671
Debt service	-	-	-	-	30,124	30,124
Economic development	5,600	-	-	-	-	5,600
Education K-12	3,164	-	-	-	-	3,164
Elected officials	1,526	-	-	-	-	1,526
Gaming control	8,942	-	-	-	-	8,942
Health and human services	2,182	-	-	-	134,197	136,379
Motor vehicles	-	40,051	-	-	-	40,051
Other purposes	-	-	-	-	4,580	4,580
Public safety	214	13,769	-	-	-	13,983
Transportation	-	426,251	-	-	-	426,251
Veterans' services	980	-	-	-	-	980
Wildlife	14,188	-	-	-	-	14,188
<b>Committed to:</b>						
Administration	7,876	-	-	-	-	7,876
Agriculture	6,009	-	-	-	996	7,005
Business and industry	30,966	-	-	-	4,678	35,644
Capital projects	-	-	-	-	37,213	37,213
Conservation and natural resources	79,294	-	-	-	7,948	87,242
Corrections	6,525	-	-	-	-	6,525
Debt service	-	-	5,268	-	137,493	142,761
Economic development	14,673	-	-	-	7,188	21,861
Education K-12	36,098	-	-	-	-	36,098
Elected officials	30,331	-	-	-	3,230	33,561
Employment and training	4,537	-	-	-	-	4,537
Fiscal emergency	103,254	-	-	-	-	103,254
Gaming control	2,340	-	-	-	-	2,340
Health and human services	83,318	-	-	-	-	83,318
Judicial	7,235	-	-	-	-	7,235
Legislative	63,537	-	-	-	-	63,537
Military	365	-	-	-	-	365
Motor vehicles	2,600	-	-	-	-	2,600
Other purposes	6,018	-	-	-	-	6,018
Public safety	13,589	1,670	-	-	-	15,259
Silver state health insurance	13,709	-	-	-	-	13,709
Social services	-	-	-	-	27,516	27,516
Tobacco settlement program	-	-	-	-	59,994	59,994
Taxation	8,788	-	-	-	-	8,788
Tourism and cultural affairs	425	-	-	-	-	425
Transportation	-	48,378	-	-	-	48,378
Veterans' services	5,082	-	-	-	-	5,082
Wildlife	16,323	-	-	-	-	16,323
<b>Unassigned:</b>	(97,625)	-	-	-	-	(97,625)
<b>Total fund balances</b>	<b>\$ 556,687</b>	<b>\$ 545,281</b>	<b>\$ 90,778</b>	<b>\$ 350,781</b>	<b>\$ 575,374</b>	<b>\$ 2,118,901</b>

## C. Individual Fund Deficit

### Nonmajor Enterprise Funds:

*Insurance Administration and Enforcement* - The Insurance Administration and Enforcement Fund accounts for activities related to the administration and enforcement of the Nevada Insurance Code and other laws and regulations enforced by the Department of Business and Industry Division of Insurance. The fund recorded an increase in net position of \$249,836 for the year ended June 30, 2017, resulting in negative net position of \$2,252,123 at June 30, 2017.

(Note 13 Continued)

*Nevada Magazine* – The Nevada Magazine Fund accounts for the operation of the publication, Nevada Magazine, which is published to promote tourism. The fund recorded a decrease in net position of \$120,734 for the year ended June 30, 2017, resulting in a negative net position of \$794,869 at June 30, 2017.

**Internal Service Funds:**

*Buildings and Grounds* – The Buildings and Grounds Fund accounts for the maintenance, housekeeping and security of most State buildings. The fund recorded an increase in net position of \$115,068 for the year ended June 30, 2017, resulting in a negative net position of \$3,359,383 at June 30, 2017.

*Communications* – The Communications Fund accounts for the operation of mail services for State agencies in Carson City, Reno, Las Vegas and Elko. The fund recorded a decrease in net position of \$182,664 for the year ended June 30, 2017, resulting in a negative net position of \$326,302 at June 30, 2017.

*Insurance Premiums* – The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers’ compensation insurance to State agencies. The fund recorded an increase in net position of \$1,047,843 for the year ended June 30, 2017, resulting in negative net position of \$48,914,793 at June 30, 2017.

*Administrative Services* – The Administrative Services Fund provides administrative and accounting services to various divisions of the Department of Administration. The fund recorded a decrease in net position of \$425,212 for the year ended June 30, 2017, resulting in negative net position of \$3,229,344 at June 30, 2017.

*Personnel* – The Personnel Fund accounts for the costs of administering the State personnel system. The fund recorded an increase in net position of \$1,569,423 for the year ended June 30, 2017, resulting in negative net position of \$5,571,734 at June 30, 2017.

*Purchasing* – The Purchasing Fund provides purchasing services to State agencies and other governmental units. The fund recorded an increase in net position of \$1,021,153 for the year ended June 30, 2017, resulting in negative net position of \$1,529,566 at June 30, 2017.

*Information Services* – The Information Services Fund accounts for designing, programming, and maintaining data processing software and also operating the State’s central computer facility, radio communication and telecommunication systems. The fund recorded an increase in net position of \$2,735,610 for the year ended June 30, 2017, resulting in negative net position of \$9,778,947 at June 30, 2017.

**Note 14 - Principal Tax Revenues**

The principal taxing authorities for the State of Nevada are the Nevada Tax Commission and the Nevada Gaming Commission.

The Nevada Tax Commission was created under NRS 360.010 and is the taxing and collecting authority for most non-gaming taxes. The following are the primary non-gaming tax revenues:

*Sales and Use Taxes* are imposed at a minimum rate of 6.85%, with county and local option up to an additional 1.30%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

*Modified Business Tax* is imposed at different rates for businesses, financial institutions and mining. Businesses other than financial institutions and mining are assessed a tax at a rate of 1.475% per calendar quarter for amounts

the wages exceed \$50,000. Modified Business Tax is imposed on financial institutions and mining at 2% on gross wages paid by the employer during the calendar quarter. There is an allowable deduction from the gross wages for amounts paid by the employer for qualified health insurance or a qualified health benefit plan.

*Insurance Premium Tax* is imposed at 3.5% on insurance premiums written in Nevada. A “Home Office Credit” is given to insurance companies with home or regional offices in Nevada.

*Motor Vehicle Fuel Tax* is levied at 24.805 cents per gallon on gasoline and gasohol sales. 17.65 cents of the tax goes to the State Highway Fund, .75 cents goes to the Cleaning Up Petroleum Discharges Fund, .055 cents goes to the General Fund and the remaining 6.35 cents goes to the counties. The counties have an option to levy up to an additional 9 cents per gallon.

(Note 14 Continued)

*Cigarette Tax* is imposed at a rate of 90 mills per cigarette. A tax on tobacco products, other than cigarettes, is imposed at a rate of 30% of the wholesale price.

*Commerce Tax* is imposed upon each business entity whose Nevada gross revenue in a taxable year exceeds \$4 million. The business entity is entitled to deduct certain amounts. The tax rate is based on the primary business industry classification.

*Lodging Tax* is imposed at a rate of at least 1% of the gross receipts from the rental of transient lodging with three-eighths of the first 1% paid to the State for the Tourism Promotion Fund. In counties with populations greater than 300,000, an additional tax of up to 3% is remitted to the State for distribution to the State Supplemental School Support Account.

*Other Sources* of tax revenues include: Controlled Substance Tax, Jet Fuel, Liquor Tax, Live Entertainment Tax (non-gaming establishments), Business License Fees, Motor Carrier Fees, Motor Vehicle Registration Fees, Net Proceeds of Minerals Tax, Property Tax, Real Property Transfer Tax, Short-Term Lessor Fees and Tire Tax.

The Nevada Gaming Commission was created under NRS 463.022 and is charged with collecting State gaming taxes and fees. The following sources account for gaming tax revenues:

*Percentage Fees* are the largest of several State levies on gaming. They are based upon gross revenue and are collected monthly. The fee is applied on a graduated basis at the following monthly rates: 3.5% of the first \$50,000 of gross revenue; 4.5% of the next \$84,000 of gross revenue; and 6.75% of the gross revenue in excess of \$134,000.

*Live Entertainment Taxes* are imposed at a rate of 9% on admission to a facility where live entertainment is provided with an occupancy over 200. Live entertainment provided by escort services is also subject to the tax.

*Flat Fee Collections* are levied on the number of gambling games and slot machines operated. Licensees pay fees at variable rates on the number of gaming devices operated per quarter.

*Other Sources* of gaming tax revenues include: Unredeemed Slot Machine Wagering Vouchers, Annual State Slot Machine Taxes, Annual License Fees and Miscellaneous Collections, which consists of penalties and fines, manufacturer's, distributor's and slot route operator's fees, advance payments, race wire fees, pari-mutuel wagering tax and other nominal miscellaneous items.

**Note 15 - Works of Art and Historical Treasures**

The State possesses certain works of art, historical treasures, and similar assets that are not included in the capital assets shown in Note 7. The mission of the Lost City Museum in Overton is to study, preserve, and protect prehistoric Pueblo sites found in the Moapa Valley and adjacent areas and to interpret these sites through exhibits and public programs. In Reno, the Nevada Historical Society exhibits and maintains a large number of historical collections preserving the cultural heritage of Nevada. These collections are divided into four sections: library, manuscripts, photography, and museum. The Nevada State Museum in Carson City collects, preserves, and documents three general types of collections: anthropology, history, and natural history as it relates to Nevada and the Great Basin. The mission of the Nevada State Museum, Las Vegas, is to inspire and educate a diverse public about the history and natural history of Nevada. Its major collections include transportation, mining, and tourism as well as daily artifacts such as clothing, historical correspondence, business records, and photography. The Nevada State Railroad Museum, which is located in Carson City, is dedicated to educating visitors and the community through the collec-

tion, preservation and interpretation of objects directly related to railroads and railroading in Nevada. The East Ely Depot Museum, located in the historic Nevada Northern Railroad Depot building, exhibits artifacts, documents, and photographs of early Eastern Nevada mining and railroad transportation. In Boulder City, the Nevada State Railroad Museum displays and operates locomotives. The Nevada Arts Council with locations in Carson City and Las Vegas exhibits artwork. Its mission is to enrich the cultural life of the State and make excellence in the arts accessible to all Nevadans.

These collections are not capitalized by the State because they are:

- Held for public exhibition, education or research in furtherance of public service, rather than financial gain,
- Protected, kept unencumbered, cared for and preserved, and
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

**Note 16 - Tax Abatements**

**Abatement of Taxes on Business:** The Governor's Office of Economic Development (GOED) provides multiple tax abatement programs to incentivize business development in Nevada. GOED promotes a robust, diversified and prosperous economy to attract new business and facilitate community development, stimulate business expansion and retention, and encourage entrepreneurial enterprise.

A company that intends to locate or expand a business in the State may apply to GOED for a partial abatement of one or more of the taxes imposed on new or expanded business. GOED may approve an application, upon making certain determinations, as outlined in NRS 360.750, which is effective through June 30, 2032. In addition to agreeing to continue in operation in the State for at least 5 years, applicants must also meet two of the following three requirements:

- New businesses locating in urban areas require fifty or more full-time employees on the payroll by the eighth calendar quarter following the calendar quarter in which the abatement becomes effective; in rural areas, the requirement is ten or more full-time employees. For an existing business that is expanding, the number of employees on the payroll must increase either by 10% more than the number of employees prior to the abatement becoming effective, or by 25 employees for urban areas (6 for rural areas), whichever is greater.
- New businesses locating in urban areas must make a capital investment of \$1 million in eligible equipment within two years; in rural areas, the requirement is \$250,000 in eligible equipment. For an existing business that is expanding, the capital investment must equal at least 20% of the value of the tangible property owned by the business.
- The average hourly wage paid to new employees must meet a specified minimum, and the business must provide a health insurance plan for all employees and their dependents by a specified time period.

A company that intends to locate or expand a business in certain areas of Economic Development may apply to GOED for a partial abatement of one or more of the taxes imposed on new or expanded business. Certain areas of Economic Development are defined in NRS 274.310 as a historically underutilized business zone, a redevelopment area created pursuant to Chapter 279 of NRS, an area eligible for a community development block grant pursuant to 24 Code of Federal Regulations (CFR) Part 570, or an enterprise community established pursuant to 24 CFR Part 597. Applicants must agree to continue in operation in the State for at least 5 years, and is effective through June 30, 2032. Additionally, businesses looking to start or expand in certain areas of Economic Development must meet either one of the two following requirements to apply for an abatement:

- New businesses must invest a minimum of \$500,000 in capital assets. For an existing business that is expanding, the investment in capital assets is a minimum of \$250,000 (NRS 274.310 through 274.320).
- The business must hire one or more dislocated workers, pay a wage of not less than 100 percent of federally designated levels and provide medical benefits to the employees and their dependents which meet the minimum requirements (NRS 274.330).

All abatements granted to eligible businesses terminate upon determination that the business has ceased to meet eligibility requirements for the abatement. The business shall refund the abatement amount for each month, or portion thereof, from the last day of the month following the period for which the payment would have been made had the partial abatement not been approved until the date of the payment of the tax. These refund payments are also subject to interest at the rate most recently established pursuant to NRS 99.040.

The programs outlined below reflect the requirements and the abatements offered to eligible businesses.

*Local Sales and Use Tax Abatement (NRS 374.357 through 374.358)* – The tax abatement is on the gross receipts from the sale, and the storage, use or other consumption, of eligible capital equipment. The sale and use tax rates vary by county within Nevada. The abatement reduces the local sales and use tax rate to 2%, which is the State's portion of the tax. Therefore, none of the State's sales and use tax is abated; only local sales and use taxes are abated. The approved business is eligible for tax abatements for not less than 1 year but not more than 5 years beginning the date the abatement becomes effective.

*Modified Business Tax Abatement (NRS 363B.120)* – The current excise tax imposed on each employer is at the rate of 1.475% on taxable wages over \$50,000 in a quarter. A business may qualify for a partial abatement of up to 50% of the amount of the business tax due during the first four years of operations. For a new company, the abatement of the modified business tax applies to the number of new employees stated in its application. For an expanding business, the abatement does not apply to existing employees of the business, but does apply to the number of new employees directly related to the expansion.

*Personal Property Tax Abatement (NRS 361.0687)* – The abatement can be up to 50% of the tax due, or 75% in certain areas of Economic Development, for not less than 1 year and up to 10 years beginning from when the abatement becomes effective. The applicant must apply for abatement not more than one year before the business begins to develop for expansion or operation in Nevada. The personal property tax abatement applies only to the same list of machinery and equipment eligible for the local sales and use tax abatement allowed under

(Note 16 Continued)

NRS 374.357 or 374.358. Property tax rates vary by taxing district within Nevada. This is effective through June 30, 2017.

*Aviation Tax Abatement (NRS 360.753)* - The abatement includes local sales and use tax and personal property tax. The local sales and use tax abatement applies to the purchase of tangible personal property used to operate, manufacture, service, maintain, test, repair, overhaul or assemble an aircraft or any component of an aircraft. The personal property tax abatement applies to aircraft and the personal property used to own, operate, manufacture, service, maintain, test, repair, overhaul or assemble an aircraft or any component of an aircraft. The personal property tax abatement can be up to 50% for 20 years on the taxes due on tangible personal property, and the sales and use tax abatement reduces the applicable tax rate to 2% for a similar 20-year period. The local sales and use tax abatement excludes aircraft purchase. This is effective through June 30, 2035.

*Data Center Tax Abatement (NRS 360.754)* - The abatement includes local sales and use tax and personal property tax. The local sales and use tax abatement applies to the purchase of eligible machinery or equipment for use at a data center. The abatement reduces the applicable tax rate to 2% for a period of 10 or 20 years. The personal property tax abatement applies to personal property located at the center and can be up to 75% of the taxes due for 10 or 20-year abatement periods. The data center will, within 5 years after the date on which the abatement becomes effective, have or have added 10 or more full-time employees who are residents of Nevada, and provide health insurance. The data center must commit to continue operation within the State for a period of not less than 10 years, and must bind successors to the same. This is effective through December 31, 2056.

*Capital Investment of at least \$1 Billion Tax Abatement (NRS 360.893)* - The partial abatements include personal property, modified business, real property, or local sales and use taxes for companies that have a minimum capital investment of \$1 billion dollars within 10 years of approval of the abatement application. The personal property, modified business and real property tax abatement can be up to 75% of the taxes due for an abatement period of not more than 10 years. Abatements for local sales and use tax are for taxes imposed on the purchase of eligible personal property and construction materials for an abatement period of not more than 15 years. The State's 2% portion of the sales and use tax is not abated. As a condition of approving a partial abatement of taxes pursuant to NRS 360.880 to 360.896, inclusive, the Executive Director of the Office of Economic Development, if he or she determines it to be in the best interests of the State of Nevada, may require the lead participant to pay at such a time or times as deemed appropriate, an amount of money equal to all or a portion of the abated taxes into a trust fund in the State Treasury

to be held until all or portion of the requirements for the partial abatement have been met. Interest and income earned on money in the trust fund must be credited to the trust fund. Any money remaining in the trust fund at the end of the fiscal year does not revert to the State General Fund, and the balance in the trust fund must be carried forward to the next fiscal year. This is effective through June 30, 2032.

*Capital Investments of at least \$3.5 Billion Tax Abatement (NRS 360.945)* - An abatement from personal property, modified business, real property, or local sales and use tax are available to companies that have a minimum capital investment of \$3.5 billion dollars within 10 years of approval of the abatement application. The personal property, modified business, and real property tax abatements can be up to 100% of the taxes due for up to a 10-year abatement period. Abatements for local sales and use tax are for taxes imposed on the purchase of eligible personal property and construction materials for up to a 20-year period. The State's 2% portion of the sales and use tax is not abated. This was approved during the 28<sup>th</sup> Special Session of the State Legislature in 2014, and is effective through June 30, 2036.

*Transferable Tax Credits to Promote Economic Development (NRS 231.1555)* - Transferable tax credits are available to entities who intend to locate or expand a business in Nevada. The business can apply for credits above or below \$100,000 as long as the transferable tax credits do not extend for a period of more than 5 fiscal years per applicant and, in total, do not exceed set amounts each fiscal year as outlined in statute. The transferable tax credits can be applied to modified business, insurance premium and/or gaming percentage fee taxes. The applicant must set forth the proposed use of the credits, the plans, projects and programs for which the credits will be used, the expected benefits, and a statement of short-term and long-term impacts of the issuance of the transferable tax credits.

*Film and Other Productions (NRS 360.758 through 360.7598)* - A transferable tax credit is available to production companies producing a film, television series, commercial, music video or other qualified production in Nevada. A production may qualify for a transferable tax credit of up to 25% of the qualified direct production expenditures incurred in Nevada if at least 60% of the total qualified expenditures are incurred in Nevada. Principal photography of the production must begin within 90 days after the application is issued. The transferable tax credits issued for qualified film production completed in the State may be used against the modified business, insurance premium and/or the gaming percentage fee taxes.

*Economic Development with Capital Investment of at least \$3.5 Billion (NRS 360.945 through 360.980)* - The 2014 28<sup>th</sup> Special Session of the State Legislature required the



(Note 16 Continued)

Governor’s Office of Economic Development (GOED) to issue transferable tax credits for certain qualifying projects that may be used against the modified business, insurance premium and/or the gaming percentage fee taxes. A qualifying project is required to be located within the geographical borders of the State of Nevada, make a new capital investment in the State of at least \$3.5 billion during the 10-year period immediately following approval of the application, employ Nevada residents in at least half of the project’s construction jobs and operational jobs, and provides health insurance to all employees. The amount of transferable tax credits is equal to \$12,500 for each qualified employee employed by the participants in the project (to a maximum of 6,000 employees), plus 5% of the first \$1 billion and 2.8% of the next \$2.5 billion in new capital investment in the State made collectively by the participants in the qualifying project. The amount of tax credits approved by GOED may not exceed \$45 million per fiscal year (although any unissued credits may be issued in any subsequent fiscal year ending on or before June 30, 2022), and GOED may not issue total tax credits in excess of \$195 million. This is effective through June 30, 2036.

**Renewable Energy Tax Abatements:** The mission of the Governor’s Office of Energy is to ensure the wise development of Nevada’s energy resources in harmony with local economic needs, and to position Nevada to lead the nation in renewable energy production, conservation, and exportation. In an effort to incentivize the development of renewable energy in Nevada, the program awards partial sales and use tax and property tax abatements to eligible renewable energy facilities. Businesses must make a capital investment of \$3 million or \$10 million, dependent on the project location.

*Local Sales and Use Tax Abatement (NRS 701A.360 through NRS 701A.365)* – The abatement applies to the 3 years following the approval of the application in which the applicant will only be required to pay sales and use taxes imposed in the State at the rate of 2.6%, of which 2% is the State’s portion of the tax. Therefore, none of the State’s sales and use tax is abated. The abatement must not apply during any period in which the facility is receiving another abatement or exemption from local sales and use taxes. The applicant must state that the facility will, after the date on which the abatement becomes effective, continue in operation in the state for a

period of not less than 10 years, and bind any successors to the same. This is effective through June 30, 2049.

*Real and Personal Property Tax Abatement (NRS 701A.370)* – The abatement is for a duration of the 20 fiscal years immediately following the date of approval of the application and is equal to 55% of the taxes on real and personal property payable by the facility each year. The abatement must not apply during any period in which the facility is receiving another abatement or exemption from local sales and use taxes. This is effective through June 30, 2049.

**Green Building Tax Abatements:** The Governor’s Office of Energy administers the green building tax abatement program based on criteria set forth in the Leadership in Energy and Environmental Design (LEED) or Green Globes (GG) rating system and certification from the U.S. Green Building Council or the Green Building Initiative. Both LEED and GG rating systems provide a complete framework for assessing building performance and meeting environmental sustainable goals. They use industry recognized standards for designing, operating and certifying green building projects. The program was instituted in 2007 as an incentive for business owners to improve the energy efficiency of new and existing buildings. To qualify for the tax abatement, applicants must earn a minimum number of points for energy conservation to meet the Silver Level or higher through the LEED rating system or two globes or higher under the GG rating system. LEED and GG building rating systems are based on a set of standards for the environmentally sustainable design, construction and operation of the building.

*Real Property Taxes (NRS 701A.110)* – Incentives range from 25% to 35% of the portion of taxes imposed pursuant to NRS 361, other than any taxes imposed for public education, for a period of 5 to 10 years, depending on the certification level. The abatement terminates if it is determined that the building or other structure has ceased to meet the equivalent of the Silver Level or higher.

The State’s tax abatement programs as of June 30, 2017, on an accrual basis, are summarized in the following table (expressed in thousands):

Abatement Program	Taxes Abated			
	Modified Business Tax	Property Tax	Gaming Tax	Total
Businesses	\$ 1,292	\$ 76	\$ -	\$ 1,368
Capital investment \$1B	14	-	-	14
Capital investment \$3.5B	1,232	-	-	1,232
Renewable energy	-	790	-	790
Green building	-	1,618	-	1,618
Transferable tax credits	-	-	42,073	42,073
<b>Total</b>	<b>\$ 2,538</b>	<b>\$ 2,484</b>	<b>\$ 42,073</b>	<b>\$ 47,095</b>

**Note 17 - Commitments and Contingencies**

**A. Primary Government**

*Lawsuits* - The State Attorney General’s Office reported that the State of Nevada or its officers and employees were parties to numerous lawsuits, in addition to those described below. In view of the financial condition of the State, the State Attorney General is of the opinion that the State’s financial condition will not be materially affected by this litigation, based on information known at this time.

Several of the actions pending against the State are based upon the State’s (or its agents’) alleged negligence in which the State must be named as a party defendant. However, there is a statutory limit to the State’s liability of \$50,000 per cause of action through October 1, 2007 and \$75,000 per cause of action through October 1, 2011 and \$100,000 per cause of action thereafter. Such limitation does not apply to federal actions such as civil rights actions under 42 U.S.C. Section 1983 brought under federal law or to actions in other states. Building and contents are insured on a blanket replacement cost basis for all risk except certain specified exclusions.

The State and/or its officers and employees are parties to a number of lawsuits filed under the federal civil rights statutes. However, the State is statutorily required to indemnify its officers and employees held liable in damages for acts or omissions on the part of its officers and employees occurring in the course of their public employment. Several claims may thus be filed against the State based on alleged civil rights violations by its officers and employees. Since the statutory limit of liability (discussed above) does not apply in federal civil rights cases, the potential liability of the State is not ascertainable at the present time. Currently, the State is involved in several actions alleging federal civil rights violations that could result in substantial liability to the State.

The State is a defendant on several lawsuits associated with the Little Valley fire, which occurred in October 2016. The State intends to defend these lawsuits vigorously. The outcome of the lawsuits is not presently determinable, and as the amount is neither probable nor capable of reasonable estimation, the accompanying financial statements do not include a liability for any potential loss.

*Leases* - The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Position. Primary government lease expense for the year ended June 30, 2017 amounted to \$45.6 million. The following is the primary government’s schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017 (expressed in thousands):

<u>For the Year</u> <u>Ending June 30</u>	<u>Amount</u>
2018	\$ 44,998
2019	39,664
2020	31,711
2021	25,210
2022	21,322
2023-2027	51,266
2028-2032	6,574
2033-2037	6,302
2038-2042	6,638
2043-2047	176
<b>Total</b>	<b>\$ 233,861</b>

*Federal Grants* - The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2017, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

*Rebate Arbitrage* - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebateable arbitrage is computed as of each installment computation date. The present value of the rebateable arbitrage is \$1,075,000 and has been recorded as a liability in the Statement of Net Position at June 30, 2017. Future calculations might result in different rebateable arbitrage amounts.

*Nonexchange Financial Guarantees* - The 1997 Nevada Legislature added NRS 387.513 through 387.528, allowing school districts to enter into guarantee agreements with the State Treasurer whereby money in the Permanent School Fund may be used to guarantee the debt service payments on certain bonds issued by Nevada school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Total bond guarantees

(Note 17 Continued)

at June 30, 2017 were \$233.6 million which includes accrued interest of \$1.4 million. The bonds mature at various intervals through fiscal year 2042. In the event any school district was unable to make a required payment, the State Treasurer would withdraw from the State Permanent School Fund the amount needed to cover the debt service payment. Any amount withdrawn would be deemed a loan to the school district from the State Permanent School Fund, and the State Treasurer would determine the rate of interest on the loan. Repayment would be taken from distributions from the State Distributive School Account.

*Encumbrances* – As of June 30, 2017, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	<b>Amount</b>
General Fund	\$ 6,617
State Highway	3,463
Nonmajor governmental funds	109
<b>Total</b>	<b>\$ 10,189</b>

*Construction Commitments* – As of June 30, 2017, the Nevada Department of Transportation had total contractual commitments of approximately \$170.0 million for construction of various highway projects. Other major non-highway construction commitments for the primary government’s budgeted capital projects funds total \$13.2 million.

**B. Discretely Presented Component Units**

*Nevada System of Higher Education (NSHE)* – As of June 30, 2017, NSHE is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, NSHE management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially adversely affect the net position, changes in net position or cash flows of NSHE.

The NSHE and the State of Nevada are defendants in various lawsuits, collectively referred to as the Little Valley Fire Cases. The cases relate to a prescribed burn conducted by the Nevada Division of Forestry in October 2016 on land partially owned by the University of Nevada at Reno. Embers from the fire escaped and burned 23 structures. The NSHE and the State of Nevada share an excess liability policy. At this point it is difficult to estimate the likelihood of an unfavorable outcome and the likely exposure, but the excess liability carrier has been placed on notice of these cases.

The NSHE has an actuarial study of its workers’ compensation losses completed every other year. The study addresses the reserves necessary to pay open claims from prior years and projects the rates needed for the coming year. The NSHE uses a third party administrator to adjust its workers’ compensation claims.

The NSHE is self-insured for its unemployment liability. The NSHE is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the NSHE budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the NSHE cannot be reasonably determined as of June 30, 2017.

The NSHE receives Federal grants and awards, and amounts are subject to change based on outcomes of Federal audits. Management believes any changes made will not materially affect the net position, changes in net position or cash flows of the NSHE.

The estimated cost to complete property authorized or under construction at June 30, 2017 and 2016 is \$94.9 million and \$122.5 million, respectively. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

*Colorado River Commission (CRC)* - The CRC may from time to time be a party in various litigation matters. It is management’s opinion, based upon advice from legal counsel, that the risk of financial losses to CRC from such litigation, if any, will not have a material adverse effect on CRC’s future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

*Nevada Capital Investment Corporation (NCIC)* - The NCIC currently has commitments to the Silver State Opportunity Fund of \$50.0 million (the First Tranche). As of June 30, 2017, the NCIC has fulfilled \$40.1 million of its total commitment. The NCIC has the right, but not the obligation, to increase its capital commitment by which would be effective after the end of the First Tranche (or such other date as the NCIC and Manager may agree). If the NCIC elects to make such an additional commitment, both the amount of the NCIC’s additional commitment and an additional commitment from the Manager shall be established by agreement between the NCIC and the Manager (the Second Tranche).



**Note 18 - Subsequent Events****A. Primary Government**

*Bonds* – On November 7, 2017, the State issued \$115,440,000 in General Obligation Bonds. The 2017A Bonds were issued to finance various capital improvement projects, including construction of a new Department of Motor Vehicles Service Center, and to pay costs of issuance of the 2017A Bonds. The 2017B Bonds were issued to finance costs of environmental improvement projects for the Lake Tahoe Basin, to provide grants for water conservation and capital improvements to certain water systems, to refund certain outstanding bonds and to pay costs of issuance of the 2017B Bonds. The 2017C Bonds were issued to finance property acquisition or capital improvements and renovations by the Division of State Parks; to finance property acquisition, facility development and renovation, or wildlife habitat improvements by the Division of Wildlife; to provide grants for State agencies, local governments or qualifying private nonprofit organizations for various programs, including recreational trails, urban parks, habitat conservation, open spaces and general natural resource protection; to refund certain outstanding bonds; and to pay costs of issuance of the 2017C Bonds. The 2017D Bonds were issued to finance loans to Carson City for sewer projects and to pay costs of issuance of the 2017D Bonds. The 2017E Bonds were issued to provide state matching funds for the State's Safe Drinking Water Revolving Fund program and to pay costs of issuance of the 2017E Bonds. The 2017F Bonds were issued to provide state matching funds for the State's Water Pollution Control Revolving Fund program and to pay costs of issuance of the 2017F Bonds.

**B. Discretely Presented Component Units**

*Nevada System of Higher Education* – The Board of Regents, at its September 8, 2017 meeting, approved a resolution authorizing the issuance of up to \$29,000,000 of universities revenue bonds to refinance existing bonds for interest savings. The Board of Regents also approved a resolution authorizing the issuance of up to \$30,000,000 of Certificates of Participation to finance construction of an engineering building and a university fine arts center at UNR. The Board of Regents also approved a resolution authorizing issuance of up to \$75,000,000 of community colleges revenue bonds to fund construction of 3 student unions at CSN. The Board of Regents also approved a resolution authorizing the issuance of a promissory note of up to \$15,950,000 to fund the construction of a football complex at UNLV.

**C. New Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), which improves accounting and financial reporting by state and local governments for

postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support of OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB 81 is effective for fiscal years beginning after December 15, 2016. The anticipated impact of this pronouncement is uncertain at this time.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (GASB 85), which addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86), which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

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**Note 19 - Accounting Changes and Restatements**

The State implemented GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, in the current year. This statement requires payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions to be classified as employee contributions. Accordingly, net position as of July 1, 2016 has been restated for the cumulative effect of this change.

In addition, prior period adjustments were made to correct an error in the State Highway Fund for payroll expenditures recorded in fiscal year 2017 that were for fiscal year 2016, and to correct an error in the Unemployment Compensation Fund for interest income recorded in fiscal year 2017 that was earned in fiscal year 2016.

The following table shows the changes to the beginning net position as of July 1, 2016 for the primary government (expressed in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2016 as previously reported	\$ 4,804,920	\$ 1,166,231
Deferred outflows of resources representing plan member contributions	(52,711)	(949)
Deferred inflows of resources representing the differences between employer contributions and proportional share of contributions	89,213	1,625
Payroll expenditures	(4,775)	-
Interest income	-	3,022
Net position at June 30, 2016 as restated	<u>\$ 4,836,647</u>	<u>\$ 1,169,929</u>

The following table shows the changes to the beginning fund balance/net position as of July 1, 2016 for the following major funds (expressed in thousands):

	<u>Major Governmental Fund</u>	<u>Major Enterprise Funds</u>		
	<u>State Highway</u>	<u>Unemployment Compensation</u>	<u>Water Projects Loans</u>	<u>Higher Education Tuition Trust</u>
Fund balance/net position at June 30, 2016 as previously reported	\$ 532,739	\$ 501,255	\$ 389,602	\$ 59,064
Deferred outflows of resources representing plan member contributions	-	-	(20)	-
Deferred inflows of resources representing the differences between employer contributions and proportional share of contributions	-	-	35	11
Payroll expenditures	(4,775)	-	-	-
Interest income	-	3,022	-	-
Fund balance/net position at June 30, 2016 as restated	<u>\$ 527,964</u>	<u>\$ 504,277</u>	<u>\$ 389,617</u>	<u>\$ 59,075</u>

# Budgetary Comparison Schedule General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Sources of Financial Resources</b>				
Fund balances, July 1	\$ 851,139,584	\$ 851,139,584	\$ 851,139,584	\$ -
<b>Revenues:</b>				
Sales taxes	1,158,317,800	1,129,808,000	1,133,715,143	3,907,143
Gaming taxes, fees, licenses	884,915,758	880,352,771	857,544,083	(22,808,688)
Intergovernmental	3,613,556,943	4,338,719,056	3,907,217,245	(431,501,811)
Other taxes	1,762,312,173	1,965,910,307	2,030,617,904	64,707,597
Sales, charges for services	268,365,798	297,688,382	242,820,976	(54,867,406)
Licenses, fees and permits	677,050,967	728,456,803	715,377,434	(13,079,369)
Interest	11,089,989	12,970,424	8,367,997	(4,602,427)
Other	365,791,815	403,730,428	376,582,977	(27,147,451)
<b>Other financing sources:</b>				
Proceeds from sale of bonds	-	2,000,000	1,998,977	(1,023)
Transfers	637,983,572	945,193,061	776,714,697	(168,478,364)
Reversions from other funds	-	-	1,552,122	1,552,122
<b>Total sources</b>	10,230,524,399	11,555,968,816	10,903,649,139	(652,319,677)
<b>Uses of Financial Resources</b>				
<b>Expenditures and encumbrances:</b>				
Elected officials	139,178,237	174,369,213	125,508,889	48,860,324
Legislative and judicial	148,914,741	201,460,808	103,664,789	97,796,019
Finance and administration	102,512,166	116,549,811	79,990,289	36,559,522
Education - K to 12	2,225,947,601	2,469,211,598	2,263,277,591	205,934,007
Education - higher education	869,806,939	898,860,433	890,156,327	8,704,106
Human services	5,054,864,095	5,744,252,878	5,282,071,838	462,181,040
Commerce and industry	347,955,920	481,612,738	347,950,603	133,662,135
Public safety	427,447,393	468,576,824	412,095,768	56,481,056
Infrastructure	371,101,546	436,710,521	193,507,654	243,202,867
Special purpose agencies	74,280,464	85,098,813	52,616,248	32,482,565
<b>Other financing uses:</b>				
Transfers to other funds	31,749,013	121,261,261	121,261,261	-
Reversions to other funds	-	-	16,561,096	(16,561,096)
<b>Projected reversions</b>	(40,000,000)	(40,000,000)	-	(40,000,000)
<b>Total uses</b>	9,753,758,115	11,157,964,898	9,888,662,353	1,269,302,545
<b>Fund balances, June 30</b>	\$ 476,766,284	\$ 398,003,918	\$ 1,014,986,786	\$ 616,982,868

State Highway Fund				Municipal Bond Bank			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 518,618,773	\$ 518,618,773	\$ 518,618,773	\$ -	\$ 1,203	\$ 1,203	\$ 1,203	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
321,806,880	388,472,543	387,571,479	(901,064)	-	-	-	-
347,719,546	383,153,944	384,994,707	1,840,763	-	-	-	-
18,724,306	21,335,947	18,429,482	(2,906,465)	-	-	-	-
222,630,827	231,179,792	227,592,851	(3,586,941)	-	-	-	-
709,094	4,459,019	5,224,064	765,045	10,094,931	10,094,931	3,510,793	(6,584,138)
46,151,587	45,905,091	31,620,535	(14,284,556)	16,322,047	16,322,047	4,540,000	(11,782,047)
150,000,000	190,000,000	185,001,083	(4,998,917)	-	-	-	-
15,592,929	22,282,478	39,272,599	16,990,121	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,641,953,942</u>	<u>1,805,407,587</u>	<u>1,798,325,573</u>	<u>(7,082,014)</u>	<u>26,418,181</u>	<u>26,418,181</u>	<u>8,051,996</u>	<u>(18,366,185)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
224,352,157	255,574,723	208,139,103	47,435,620	-	-	-	-
1,019,842,931	1,297,521,075	956,221,855	341,299,220	-	-	-	-
-	-	-	-	-	-	-	-
78,896,289	105,445,166	105,445,166	-	26,416,978	26,418,181	8,051,996	18,366,185
-	-	46,440	(46,440)	-	-	-	-
<u>(56,400,842)</u>	<u>(86,400,842)</u>	-	<u>(86,400,842)</u>	-	-	-	-
<u>1,266,690,535</u>	<u>1,572,140,122</u>	<u>1,269,852,564</u>	<u>302,287,558</u>	<u>26,416,978</u>	<u>26,418,181</u>	<u>8,051,996</u>	<u>18,366,185</u>
<u>\$ 375,263,407</u>	<u>\$ 233,267,465</u>	<u>\$ 528,473,009</u>	<u>\$295,205,544</u>	<u>\$ 1,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Notes to Required Supplementary Information Budgetary Reporting

NEVADA

For the Fiscal Year Ended June 30, 2017

The accompanying Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds presents both the original and the final legally adopted budgets, as well as actual data on a budgetary basis. (Note 2 of the basic financial statements identifies the budgeting process and control.)

The original budget is adopted through passage of the General Appropriations Act, which allows for expenditures from unrestricted revenues, while the Authorized Expenditures Act allows for expenditures from revenues collected for specific purposes (restricted revenues). For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of August 24<sup>th</sup> are reported instead of the amounts disclosed in the original budget. The August 24, 2017 date is used because this is the date for which the Legislative Interim Finance Committee affected the last changes to the fiscal year ended June 30, 2017 budget as permitted by NRS 353.220.

Since the budgetary and GAAP presentations of actual data differ, a reconciliation of ending fund balances is presented below (expressed in thousands):

	General Fund	State Highway	Municipal Bond Bank
<b>Fund balances (budgetary basis) June 30, 2017</b>	\$ 1,014,987	\$ 528,473	\$ -
<b>Adjustments:</b>			
<i>Basis differences:</i>			
Petty cash or outside bank accounts	4,814	195	-
Investments not recorded on the budgetary basis	772	-	-
Loans not recorded on the budgetary basis	-	-	89,700
Accrual of certain other receivables	294,673	7,135	1,078
Inventory	7,585	15,129	-
Advances to other funds	4,646	3,900	-
Accrual of certain accounts payable and other liabilities	(473,386)	(8,537)	-
Unearned revenues	(113,049)	-	-
Deferred inflows - unavailable	(204,832)	(2,649)	-
Encumbrances	6,617	3,463	-
Other	(2,745)	(1,828)	-
<i>Perspective differences:</i>			
Special revenue fund reclassified to General Fund for GAAP purposes	16,605	-	-
<b>Fund balances (GAAP basis) June 30, 2017</b>	<u>\$ 556,687</u>	<u>\$ 545,281</u>	<u>\$ 90,778</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2017, is composed of both restricted funds, which are not available for appropriation, and unrestricted funds as follows (expressed in thousands):

Total fund balance (budgetary basis)	\$ 1,014,987
Restricted funds	(587,927)
<b>Unrestricted fund balance (budgetary basis)</b>	<u>\$ 427,060</u>

During the fiscal year ended June 30, 2017, two instances of excesses of expenditures over appropriations occurred at the category level in budget accounts within the General Fund. These were corrected prior to the end of the fiscal year, and a corrective action plan was implemented to prevent overspending of appropriations in the future.

## Pension Plan Information

For the Fiscal Year Ended June 30, 2017

### A. Multiple-employer Cost Sharing Plan

The following schedule presents the State's (primary government's) proportionate share of the net pension liability for the Public Employees' Retirement System at June 30, 2016 (expressed in thousands):

	2016	2015	2014
State's proportion of the net pension liability	16.3%	16.4%	16.6%
State's proportionate share of the net pension liability	\$ 2,187,213	\$ 1,879,626	\$ 1,730,601
State's covered payroll	\$ 906,687	\$ 874,098	\$ 872,316
State's proportionate share of the net pension liability as a percentage of its covered payroll	241%	215%	198%
Plan fiduciary net position as a percentage of the total pension liability	72%	75%	76%

**Note:** This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

The following schedule presents a ten year history of the State's (primary government's) contributions to the Public Employees' Retirement System (expressed in thousands):

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contributions	\$ 151,492	\$ 190,528	\$ 176,579	\$ 174,712	\$ 162,484	\$ 163,219	\$ 160,959	\$ 164,630	\$ 153,768	\$ 146,754
Contributions in relation to the										
statutorily required contribution	151,492	190,528	176,579	174,712	162,484	163,219	160,959	164,630	153,768	146,754
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-	-
Covered payroll	984,131	906,687	874,098	872,316	855,179	859,047	946,818	968,412	961,050	917,213
Contributions as a percentage of covered payroll	15%	21%	20%	20%	19%	19%	17%	17%	16%	16%

**Note:** GASB Statement No. 82 was implemented in fiscal year 2017, and as a result, contributions no longer include payments made by the State to satisfy contribution requirements that are identified by the plan terms as member contributions. In addition, GASB Statement No. 82 clarified covered payroll which was implemented in fiscal year 2017; prior years are not reflective of this change.

### B. Single-employer Plan

The following schedule presents the changes in the net pension liability for the Legislators' Retirement System for the year ended June 30, 2016 (expressed in thousands):

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 31	\$ 39	\$ 37
Interest	414	426	428
Differences between expected and actual experience	(145)	(109)	-
Benefit payments, including refunds	(503)	(497)	(494)
Net change in total pension liability	(203)	(141)	(29)
Total pension liability - beginning	5,390	5,531	5,560
<b>Total pension liability - ending (a)</b>	<b>\$ 5,187</b>	<b>\$ 5,390</b>	<b>\$ 5,531</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 156	\$ 156	\$ 213
Contributions - employee	23	23	27
Net investment income	62	179	804
Benefit payments, including refunds	(503)	(497)	(494)
Administrative expense	(65)	(85)	(46)
Other	66	86	46
Net change in plan fiduciary net position	(261)	(138)	550
Plan fiduciary net position - beginning	4,735	4,873	4,323
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,474</b>	<b>\$ 4,735</b>	<b>\$ 4,873</b>
<b>Net pension liability - beginning</b>	<b>\$ 655</b>	<b>\$ 658</b>	<b>\$ 1,237</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 713</b>	<b>\$ 655</b>	<b>\$ 658</b>
Plan fiduciary net position as a percentage of total pension liability	86%	88%	88%
Covered payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A

**Note:** This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

(Continued)

The following schedule presents the State's (primary government's) contributions to the Legislators' Retirement System (expressed in thousands):

	2017	2016	2015
Statutorily required contributions	\$ 210	\$ -	\$ 312
Contributions in relation to the statutorily required contribution	\$ 210	\$ -	\$ 312
Contribution (deficiency) excess	\$ -	\$ -	\$ -
Covered payroll	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

**Note:** This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

### C. Agent Multiple-employer Plan

The following schedule presents the changes in the net pension liability for the Judicial Retirement System for the year ended June 30, 2016 (expressed in thousands):

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 3,828	\$ 3,593	\$ 3,411
Interest	9,677	8,876	8,367
Differences between expected and actual experience	(4,211)	1,250	(2,666)
Benefit payments, including refunds	(5,351)	(4,896)	(4,295)
Other	-	2,357	990
Net change in total pension liability	3,943	11,180	5,807
Total pension liability - beginning	119,810	108,630	102,823
<b>Total pension liability - ending (a)</b>	<b>\$ 123,753</b>	<b>\$ 119,810</b>	<b>\$ 108,630</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 5,773	\$ 6,155	\$ 6,002
Contributions - employee	269	96	-
Net investment income	1,556	3,206	14,252
Benefit payments, including refunds	(5,351)	(4,896)	(4,295)
Administrative expense	(90)	(86)	(83)
Other	-	2,357	990
Net change in plan fiduciary net position	2,157	6,832	16,866
Plan fiduciary net position - beginning	98,945	92,113	75,247
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 101,102</b>	<b>\$ 98,945</b>	<b>\$ 92,113</b>
<b>Net pension liability - beginning</b>	<b>\$ 20,865</b>	<b>\$ 16,517</b>	<b>\$ 27,576</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 22,651</b>	<b>\$ 20,865</b>	<b>\$ 16,517</b>
Plan fiduciary net position as a percentage of total pension liability	82%	83%	85%
Covered payroll (measurement as of end of fiscal year)	\$ 20,154	\$ 19,930	\$ 18,934
Net pension liability as a percentage of covered payroll	112%	105%	87%

**Note:** This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

The following schedule presents the State's (primary government's) contributions to the Judicial Retirement System (expressed in thousands):

	2017	2016	2015
Actuarially determined contribution	\$ 5,138	\$ 5,443	\$ 5,266
Contributions in relation to the actuarially determined contribution	\$ 5,262	\$ 5,227	\$ 5,535
Contribution (deficiency) excess	\$ 124	\$ (216)	\$ 269
Covered payroll	\$ 18,195	\$ 17,425	\$ 17,132
Contributions as a percentage of covered payroll	29%	30%	32%

**Note:** This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

Notes to Required Supplementary Information – actuarial assumptions used in calculating the actuarially determined contributions can be found in Note 11C.



# Schedule of Infrastructure Condition and Maintenance Data

NEVADA

For the Fiscal Year Ended June 30, 2017

The State has adopted the modified approach for reporting infrastructure assets defined as a single roadway network that includes bridges. Bridges are not considered a subsystem as they are included in the cost of road construction. Under this approach, the State expends certain maintenance and preservation costs and does not report depreciation expense. The single roadway network accounted for under the modified approach includes the combination of 5,400 centerline miles of roads and 1,170 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 400 vehicles. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. In 2016, the State realigned its goals and has set a policy to maintain each category of its roadways with an IRI of 95 or less. The prior policy was to maintain each category with an IRI of 80 or less. The 2014 assessment results are based on the previous rating system. Results of condition assessments from 2015 and 2016 under the new rating system policy provide reasonable assurance that the condition level of the roadways is being preserved above, or approximately at, the condition level established for all road categories. The following tables show the State's condition level of roadways under the current and previous policies.

Condition Level of the Roadways					
Percentage of roadways with an IRI of less than 95					
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2016 condition assessment	91%	88%	92%	66%	30%
Actual results of 2015 condition assessment	87%	82%	85%	45%	13%

Condition Level of the Roadways					
Percentage of roadways with an IRI of less than 80					
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2014 condition assessment	84%	71%	62%	33%	7%

The State has set a policy to maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. The following table shows the State's policy and condition level of the bridges.

Condition Level of the Bridges			
Percentage of substandard bridges			
	2016	2012	2011
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	2%	4%	4%

The following table shows the State's estimate of spending necessary to preserve and maintain the roadway network at, or above, the established condition level and the actual amount spent during the past five fiscal years.

Maintenance and Preservation Costs					
(Expressed in Thousands)					
	2017	2016	2015	2014	2013
Estimated	\$ 171,755	\$ 306,532	\$ 386,093	\$ 433,338	\$ 402,650
Actual	157,670	295,244	329,677	360,510	325,313

Maintenance and preservation costs are primarily funded with highway user revenue, fuel taxes, vehicle registration and license fees. The funding level for maintenance and preservation costs is affected by the amount of taxes and fees collected and the amount appropriated for construction of new roadways.





**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Ronald Knecht, MS, JD & PE  
State Controller  
Carson City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Nevada’s basic financial statements, and have issued our report thereon dated March 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the Nevada System of Higher Education, a discretely presented component unit; the Housing Division Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees’ Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, the Retirement Benefits Investment Fund – Investment Trust Fund, and the Division of Museums and History Dedicated Trust Fund – Special Revenue Fund, as described in our report on the State of Nevada’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. The financial statements of the Division of Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State of Nevada’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Nevada’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Nevada’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant



deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2017-A and 2017-B to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2017-C to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The State of Nevada's Response to Findings**

The State of Nevada's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State of Nevada's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Nevada's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nevada's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada  
March 14, 2018





**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Legislative Auditor  
Legislative Counsel Bureau  
Capitol Complex  
Carson City, Nevada

**Report on Compliance for Each Major Federal Program**

We have audited the State of Nevada’s (the State’s) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of State’s major Federal programs for the year ended June 30, 2017. The State’s major Federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The State’s basic financial statements include the operations of the Nevada System of Higher Education, a discretely presented component unit, which received \$557,770,075 in Federal awards that are not included in the State’s schedule of expenditures of Federal awards for the year ended June 30, 2017. Our audit, as described below, did not include the operations of the Nevada System of Higher Education because the Nevada System of Higher Education engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Management’s Responsibility**

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the compliance for each of the State’s major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.





We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major Federal programs. However, our audit does not provide a legal determination of the State's compliance.

**Basis for Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants and Children (WIC), Unemployment Insurance, Title I Grants to Local Educational Agencies, Special Education Cluster, Rehabilitation Services Vocational Rehabilitation Grants to States, Foster Care Title IV-E, Adoption Assistance, and Block Grants for Prevention and Treatment of Substance Abuse**

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2017-008	10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	Subrecipient Monitoring
2017-012	17.225	Unemployment Insurance	Special Tests and Provisions
2017-017	84.010/84.027/ 84.173	Title I Grants to Local Educational Agencies/ Special Education Cluster	Allowable Costs/Cost Principles
2017-018	84.010/84.027/ 84.173	Title I Grants to Local Educational Agencies/ Special Education Cluster	Cash Management
2017-020	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Eligibility
2017-031	93.658/93.659	Foster Care Title IV-E/Adoption Assistance	Subrecipient Monitoring
2017-037	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

**Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants and Children (WIC), Unemployment Insurance, Title I Grants to Local Educational Agencies, Special Education Cluster, Rehabilitation Services Vocational Rehabilitation Grants to States, Foster Care Title IV-E, Adoption Assistance, and Block Grants for Prevention and Treatment of Substance Abuse**

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Supplemental Nutrition Program for Women, Infants and Children (WIC), Unemployment Insurance, Title I Grants to Local Educational Agencies, Special Education Cluster, Rehabilitation Services Vocational Rehabilitation Grants to States, Foster Care Title IV-E, Adoption Assistance, and Block Grants for Prevention and Treatment of Substance Abuse for the year ended June 30, 2017.

**Opinion on Each of the Other Major Federal Programs**

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.



The State's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2017-002, 2017-005, 2017-006, 2017-008, 2017-009, 2017-012, 2017-016 through 2017-022, 2017-024, 2017-025, 2017-031, 2017-033 through 2017-035, and 2017-037 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-003, 2017-004, 2017-007, 2017-010, 2017-011, 2017-013, 2017-014, 2017-015, 2017-023, 2017-026 through 2017-030, 2017-032, and 2017-036 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada as of and for the year ended June 30, 2017, and have issued our report thereon dated March 14, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Eide Bailly LLP*

Reno, Nevada  
March 16, 2018





**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Department of the Interior</b>				
<b>Research and Development CLUSTER</b>				
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	\$ 9,539	\$ 9,539
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	157,941	54,674
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2010	52,796	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2012	14,884	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2013	123,045	123,045
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2014	253,126	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2015	165,820	28,704
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2016 LWCF	3,339	-
			<b>780,490</b>	<b>215,962</b>
<b>Total Research and Development CLUSTER</b>			<b>780,490</b>	<b>215,962</b>
<b>Total Department of the Interior</b>			<b>780,490</b>	<b>215,962</b>
<b>Environmental Protection Agency</b>				
<b>Research and Development CLUSTER</b>				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	99T08101	19,029	-
Regional Wetland Program Development Grants	66.461	CD-00T73101-0	12,721	-
			<b>31,750</b>	<b>-</b>
<b>Total Research and Development CLUSTER</b>			<b>31,750</b>	<b>-</b>
<b>Total Environmental Protection Agency</b>			<b>31,750</b>	<b>-</b>
<b>Department of Health and Human Services</b>				
<b>Research and Development CLUSTER</b>				
Food and Drug Administration_Research	93.103	1U18FD005892-01	136,303	16,180
Food and Drug Administration_Research	93.103	4U18FD004436-04	11,648	-
Food and Drug Administration_Research	93.103	5R13FD005541-02	5,153	-
Food and Drug Administration_Research	93.103	5U18FD004436-05	219,239	-
			<b>372,343</b>	<b>16,180</b>
Primary Care Services_Resource Coordination and Development	93.130	5 U68HP11441-08-00	120,084	-
Primary Care Services_Resource Coordination and Development	93.130	5 U68HP11441-09-00	45,125	-
Primary Care Services_Resource Coordination and Development	93.130	6 U68HP11441-08-01	38,916	-
			<b>204,125</b>	<b>-</b>
Injury Prevention and Control Research and State and Community Based Programs	93.136	1NU17CE924856-01-00	45,200	15,452
Injury Prevention and Control Research and State and Community Based Programs	93.136	1U17CE002737-01	326,815	156,649

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Injury Prevention and Control Research and State and Community Based Programs	93.136	5 NUF2CE002430-04-00	\$ 132,816	\$ 103,037
Injury Prevention and Control Research and State and Community Based Programs	93.136	5UF2CE002430-02	734	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	5UF2CE002430-03	224,113	156,485
			<b>729,678</b>	<b>431,623</b>
<b>Total Research and Development CLUSTER</b>			<b>1,306,146</b>	<b>447,803</b>
<b>Total Department of Health and Human Services</b>			<b>1,306,146</b>	<b>447,803</b>
<b>Grand Total Research and Development CLUSTER</b>			<b>2,118,386</b>	<b>663,765</b>
<b>Department of Agriculture</b>				
<b>Child Nutrition CLUSTER</b>				
School Breakfast Program	10.553	7NV300AG3	39,116,754	38,948,308
National School Lunch Program	10.555	7NV300AG3	81,786,747	81,562,338
National School Lunch Program	10.555	7NV300AG3 201616N109947	15,693,097	15,631,132
National School Lunch Program	10.555	National School Lunch Program Commodities	11,643,958	11,643,958
			<b>109,123,802</b>	<b>108,837,428</b>
Special Milk Program for Children	10.556	7NV300AG3	57,214	57,214
Summer Food Service Program for Children	10.559	7NV300AG3	1,608,448	1,576,470
Summer Food Service Program for Children	10.559	Summer Food Service Program Commodities	4,229	4,229
			<b>1,612,677</b>	<b>1,580,699</b>
<b>Total Child Nutrition CLUSTER</b>			<b>149,910,447</b>	<b>149,423,649</b>
<b>Food Distribution CLUSTER</b>				
Commodity Supplemental Food Program	10.565	7NV810AG1	368,002	296,327
Commodity Supplemental Food Program	10.565	7NV810AG1 201616Y800547	212,437	-
Commodity Supplemental Food Program	10.565	Commodity Supplemental Food Program Commodities	1,776,261	1,776,261
			<b>2,356,700</b>	<b>2,072,588</b>
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810AG8	515,487	193,935
Emergency Food Assistance Program (Food Commodities)	10.569	Emergency Food Assistance Commodities	5,741,335	5,741,335
<b>Total Food Distribution CLUSTER</b>			<b>8,613,522</b>	<b>8,007,858</b>
<b>Forest Service Schools and Roads CLUSTER</b>				
Schools and Roads_Grants to States	10.665	Schools and Roads Grants to States	407,607	407,607
<b>Total Forest Service Schools and Roads CLUSTER</b>			<b>407,607</b>	<b>407,607</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>SNAP CLUSTER</b>				
Supplemental Nutrition Assistance Program (SNAP)	10.551	SNAP	\$ 625,769,827	\$ -
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV4004NV 201616S803647	5,538	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV4004NV 201717S802647	12,823	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4 201616S251447	6,152,772	525,511
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4 201616S252047	3,388	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4 201717S251447	19,572,143	890,631
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4 201717S252047	41,327	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV4 2015IQ390347	99,235	96,374
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV4 201616Q750347	143,270	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV4 201717Q750347	559,171	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV5 201616Q390347	1,669,339	1,434,172
			<b>28,259,006</b>	<b>2,946,688</b>
<b>Total SNAP CLUSTER</b>			<b>654,028,833</b>	<b>2,946,688</b>
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	132,542	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-0016-CA	60,387	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1449-CA	9,369	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1655-CA	28,322	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1691-CA	7,790	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1844-CA	10,410	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1849-CA	4,230	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-9732-2167-CA	3,801	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-9732-2214-CA	8,842	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-8532-0016-CA	73,191	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-8532-0526-CA	4,620	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-8532-1449-CA	11,509	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-8532-1691-CA	658	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-8532-1849-CA	423	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-8532-1943-CA	2,058	-

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Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-9732-2167-CA	\$ 56,066	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-9732-2214-CA	23,495	-
			<b>437,713</b>	<b>-</b>
Wildlife Services (Animal Damage Control)	10.028	16-7440-1197-CA	10,000	-
Federal-State Marketing Improvement Program	10.156	14-FSMIP-NV-0009	22,605	20,054
Market Protection and Promotion	10.163	12-25-A-5433	11,280	-
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-1683	45,966	34,307
Specialty Crop Block Grant Program - Farm Bill	10.170	14-SCBGP-NV-0032	36,047	33,258
Specialty Crop Block Grant Program - Farm Bill	10.170	15SCBGNV0036	86,584	74,735
Specialty Crop Block Grant Program - Farm Bill	10.170	16SCBGNV0019	25,362	19,363
			<b>193,959</b>	<b>161,663</b>
Organic Certification Cost Share Programs	10.171	15-NOCCS-NV-0031	17,818	-
Organic Certification Cost Share Programs	10.171	16-AMAXX-NV-0007	3,861	-
			<b>21,679</b>	<b>-</b>
Homeland Security_Agricultural	10.304	2012-37620-19626	35,810	-
Supplemental Nutrition Assistance Program (SNAP) Recipient Integrity Information Technology Grants	10.546	8NV420002 201514E260321	383,346	-
Professional Standards for School Nutrition Employees	10.547	7NV310AG1	1,912	-
Professional Standards for School Nutrition Employees	10.547	8NV310150	7,577	962
			<b>9,489</b>	<b>962</b>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	201717W100347	11,897,303	8,967,687
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	201717W100647	20,901,288	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV7000NV7-20151347&1647	388	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1-20145347	1,766	1,766
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1-20150347	108,887	108,887
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1-20165347	296,387	296,387
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7-20135347&5647	57	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7-20145347&5647	1,995	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7-2016161347	4,501,549	3,311,358

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7-2016161647	\$ 8,190,559	\$ -
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	WIC Program Income	7,819	7,819
			<b>45,907,998</b>	<b>12,693,904</b>
Child and Adult Care Food Program	10.558	7NV300AG3	450,053	450,053
Child and Adult Care Food Program	10.558	7NV300AG3 201616N202047	11,060,864	10,986,455
Child and Adult Care Food Program	10.558	7NV300AG4	100,766	100,766
Child and Adult Care Food Program	10.558	7NV300AG4 201616N105047	186,882	186,882
Child and Adult Care Food Program	10.558	Child & Adult Food Care Program Commodities	123,153	123,153
			<b>11,921,718</b>	<b>11,847,309</b>
State Administrative Expenses for Child Nutrition	10.560	201717N253347	1,338,135	-
State Administrative Expenses for Child Nutrition	10.560	7NV300AG2	102,113	-
State Administrative Expenses for Child Nutrition	10.560	7NV300AG2 201616N253347	277,174	-
			<b>1,717,422</b>	<b>-</b>
Food Distribution Program on Indian Reservations	10.567	7NV400AG4	260,940	-
Food Distribution Program on Indian Reservations	10.567	Food Distribution Prgm on Indian Res. Commodities	353,712	-
			<b>614,652</b>	<b>-</b>
WIC Farmers' Market Nutrition Program (FMNP)	10.572	7NV810NV7-201616Y860447	29,233	6,215
WIC Farmers' Market Nutrition Program (FMNP)	10.572	7NV810NV7-201616Y860747	76,892	76,892
WIC Farmers' Market Nutrition Program (FMNP)	10.572	7NV810NV7-201717Y860447	16,946	-
			<b>123,071</b>	<b>83,107</b>
Team Nutrition Grants	10.574	8NV300014/201616N350330	47,224	9,438
Farm to School Grant Program	10.575	CN-F2S-TRN-16-NV-01	698	-
Senior Farmers Market Nutrition Program	10.576	7NV810AG2	59,311	51,981
Senior Farmers Market Nutrition Program	10.576	7NV810AG2/201717Y8313	75,000	75,000
Senior Farmers Market Nutrition Program	10.576	7NV810AG2/201717Y831447	8,723	-
			<b>143,034</b>	<b>126,981</b>
WIC Grants to States (WGS)	10.578	7NV700NV1-20151547	78,737	-
WIC Grants to States (WGS)	10.578	7NV700NV6-20142147	1,206,811	17,815
			<b>1,285,548</b>	<b>17,815</b>
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV300AG5	159,788	139,380
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV300AG7 201616N810347	117,384	107,655
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV8-2016L347	610,207	-
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV8-2017L347	337,312	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310153-2016L330	\$ 127,057	\$ -
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310154/201611L180330	13,985	-
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310156-2017L330	83,921	-
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV350000-20153313	215,086	29,994
Child Nutrition Discretionary Grants Limited Availability	10.579	NSLP-15-NV-01	47,890	47,890
			<b>1,712,630</b>	<b>324,919</b>
Fresh Fruit and Vegetable Program	10.582	201717L160347	1,972,889	1,898,768
Fresh Fruit and Vegetable Program	10.582	7NV310AG1	582,033	581,798
			<b>2,554,922</b>	<b>2,480,566</b>
Foreign Market Development Cooperator Program	10.600	11-CS-11041730-082	5,000	-
Cooperative Forestry Assistance	10.664	12-DG-11046000-603	222,525	60,064
Cooperative Forestry Assistance	10.664	12-DG-11046000-614	171,832	-
Cooperative Forestry Assistance	10.664	13-DG-11046000-608	390,215	143,597
Cooperative Forestry Assistance	10.664	14-DG-11046000-611	318,956	145,686
Cooperative Forestry Assistance	10.664	14-DG-11046000-614	83,471	-
Cooperative Forestry Assistance	10.664	15-DG-11046000-611	665,750	69,486
Cooperative Forestry Assistance	10.664	15-DG-11046000-612	138,814	-
Cooperative Forestry Assistance	10.664	15-DG-11046000-616	733	-
Cooperative Forestry Assistance	10.664	16-DG-11046000-606	363,465	58,539
Cooperative Forestry Assistance	10.664	16-DG-11046000-609	18,303	-
Cooperative Forestry Assistance	10.664	16-DG-11046000-613	32,597	-
			<b>2,406,661</b>	<b>477,372</b>
Forest Legacy Program	10.676	11-DG-11046000-624	500	-
Forest Legacy Program	10.676	14-DG-11046000-601	9,536	-
Forest Legacy Program	10.676	15-DG-11046000-608	5,752	-
			<b>15,788</b>	<b>-</b>
Forest Health Protection	10.680	11-DG-11046000-609	2,298	2,298
Forest Health Protection	10.680	12-DG-11046000-612	32,655	-
Forest Health Protection	10.680	13-DG-11046000-609	19,526	1,840
Forest Health Protection	10.680	14-DG-11046000-606	5,673	5,058
Forest Health Protection	10.680	14-DG-11046000-613	20,859	-
Forest Health Protection	10.680	15-DG-11046000-604	17,931	-
Forest Health Protection	10.680	15-DG-11046000-606	27,842	20,909
Forest Health Protection	10.680	16-DG-11046000-603	15,066	-
			<b>141,850</b>	<b>30,105</b>

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Good Neighbor Authority	10.691	17-GN-11041730-043	\$ 17,000	\$ -
Rural Energy for America Program	10.868	33-013-699149870	15,312	-
Soil and Water Conservation	10.902	68-9327-14-16	36,376	-
Soil and Water Conservation	10.902	68-9327-15-10	15,167	-
			<b>51,543</b>	<b>-</b>
Environmental Quality Incentives Program	10.912	68-9327-14-10	11,490	-
<b>Total Department of Agriculture</b>			<b>882,779,851</b>	<b>189,059,997</b>
<b>Department of Commerce</b>				
State and Local Implementation Grant Program	11.549	32-10-S13032	385,519	-
<b>Total Department of Commerce</b>			<b>385,519</b>	<b>-</b>
<b>Department of Defense</b>				
Procurement Technical Assistance for Business Firms	12.002	SP4800-15-2-1524	45,453	-
Procurement Technical Assistance for Business Firms	12.002	SP4800-16-2-1624	501,023	-
			<b>546,476</b>	<b>-</b>
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W912DY-14-2-230	275,483	-
EASE 2.0	12.219	H98210-13-1-0006	2,572	-
Military Construction, National Guard	12.400	W9124X-09-2-2001	54,324	-
Military Construction, National Guard	12.400	W9124X-15-2-2001	4,364,166	-
			<b>4,418,490</b>	<b>-</b>
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001	902,803	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY12	208,464	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1002	31,477	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1005	25,911	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1001	2,061,190	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1002	7,709	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1005	34,950	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1014	1,349	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1001	6,113,696	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1002	374,950	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1003	1,968,468	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1004	230,599	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1005	760,598	-



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National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1010	\$ 95,500	\$ -
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1011	102,808	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1014	76,786	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1021	1,031,041	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1023	384,331	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1024	1,490,883	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1040	174,049	-
			<b>16,077,562</b>	<b>-</b>
<b>Total Department of Defense</b>			<b>21,320,583</b>	<b>-</b>
<b>Department of Housing and Urban Development</b>				
Community Development Block Grants/State's Program	14.228	B-11-DN-32-0001	398	374
Community Development Block Grants/State's Program	14.228	B-14-DC-32-0001	442,033	442,033
Community Development Block Grants/State's Program	14.228	B-15-DC-32-0001	1,076,544	1,058,752
Community Development Block Grants/State's Program	14.228	B-16-DC-32-0001	902,628	753,422
			<b>2,421,603</b>	<b>2,254,581</b>
Emergency Solutions Grants Program	14.231	E14-DC-32-0001	4,524	4,524
Emergency Solutions Grants Program	14.231	E15-DC-32-0001	125,712	120,044
Emergency Solutions Grants Program	14.231	E16-DC-32-0001	215,960	211,097
			<b>346,196</b>	<b>335,665</b>
Home Investment Partnerships Program	14.239	M11-SG320100	108,126	87,097
Home Investment Partnerships Program	14.239	M12-SG320100	176,583	71,246
Home Investment Partnerships Program	14.239	M13-SG320100	87,325	87,325
Home Investment Partnerships Program	14.239	M14-SG320100	675,329	675,329
Home Investment Partnerships Program	14.239	M15-SG320100	1,033,900	1,033,900
Home Investment Partnerships Program	14.239	M16-SG320100	554,787	554,787
			<b>2,636,050</b>	<b>2,509,684</b>
Housing Opportunities for Persons with AIDS	14.241	NVH16F999	305,131	305,131
Continuum of Care Program	14.267	NV0005L9T001508	1,019,631	4,886
Continuum of Care Program	14.267	NV0005LPT001609	274,098	-
Continuum of Care Program	14.267	NV0018L9T011508	216,097	214,822
Continuum of Care Program	14.267	NV0023L9T021406	40,523	40,523
Continuum of Care Program	14.267	NV0023L9T021507	40,495	40,495
Continuum of Care Program	14.267	NV0032L9T011507	64,822	64,537
Continuum of Care Program	14.267	NV0060L9T001402	95,535	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Continuum of Care Program	14.267	NV0060L9T001503	\$ 288,312	\$ -
Continuum of Care Program	14.267	NV0075L9T001501	44,406	-
			<b>2,083,919</b>	<b>365,263</b>
<b>Total Department of Housing and Urban Development</b>			<b>7,792,899</b>	<b>5,770,324</b>
<b>Department of the Interior</b>				
<b>Fish and Wildlife CLUSTER</b>				
Sport Fish Restoration	15.605	F12AF00286	149,919	-
Sport Fish Restoration	15.605	F13AF01043	140,972	-
Sport Fish Restoration	15.605	F13AF01251	27,283	-
Sport Fish Restoration	15.605	F14AF00494	66,700	-
Sport Fish Restoration	15.605	F14AF01085	32,687	-
Sport Fish Restoration	15.605	F15AF00364	5,472	-
Sport Fish Restoration	15.605	F15AF00366	73,290	-
Sport Fish Restoration	15.605	F15AF00457	624	-
Sport Fish Restoration	15.605	F15AF00465	700,000	-
Sport Fish Restoration	15.605	F16AF00314	1,699,996	-
Sport Fish Restoration	15.605	F16AF00331	21,240	-
Sport Fish Restoration	15.605	F16AF00389	1,782,596	-
Sport Fish Restoration	15.605	F16AF00390	44,599	-
Sport Fish Restoration	15.605	F16AF00391	331,038	-
Sport Fish Restoration	15.605	F16AF00395	203,967	-
Sport Fish Restoration	15.605	F16AF00928	9,351	-
Sport Fish Restoration	15.605	F16AF00991	11,729	-
Sport Fish Restoration	15.605	F17AF00003	11,250	-
			<b>5,312,713</b>	<b>-</b>
Wildlife Restoration and Basic Hunter Education	15.611	F15AF00346	585,437	290,829
Wildlife Restoration and Basic Hunter Education	15.611	F15AF00393	903,371	311,783
Wildlife Restoration and Basic Hunter Education	15.611	F15AF01179	40,745	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00008	16,043	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00331	39,933	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00332	1,056,895	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00371	184,495	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00390	847,386	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00392	1,088,279	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00393	\$ 677,300	\$ -
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00395	958,237	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00417	1,762,500	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00517	4,233,975	139,769
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00529	194,175	-
Wildlife Restoration and Basic Hunter Education	15.611	F16AF00991	40,040	-
			<b>12,628,811</b>	<b>742,381</b>
<b>Total Fish and Wildlife CLUSTER</b>			<b>17,941,524</b>	<b>742,381</b>
Cultural Resource Management	15.224	L11AC20132	54,127	-
Cultural Resource Management	15.224	L16AC00011	43,371	-
			<b>97,498</b>	<b>-</b>
Distribution of Receipts to State and Local Governments	15.227	OIL AND GAS LEASE DISTRIBUTION	92,703	92,703
Distribution of Receipts to State and Local Governments	15.227	TAYLOR GRAZING	289,555	289,555
			<b>382,258</b>	<b>382,258</b>
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L14AC00100	7,500	-
Wild Horse and Burro Resource Management	15.229	L12AC20363	1,517,455	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20164	48,676	48,676
Fish, Wildlife and Plant Conservation Resource Management	15.231	L11AC20202	14,326	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L12AC20542	633,403	426,868
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00070	755,090	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00076	44,211	37,878
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00077	126,352	55,355
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00078	16,674	-
			<b>1,638,732</b>	<b>568,777</b>
Southern Nevada Public Land Management Act	15.235	L11AC20351	12,292	-
Southern Nevada Public Land Management Act	15.235	L12AC20360	32,742	-
Southern Nevada Public Land Management Act	15.235	L12AC20375	23,128	-
			<b>68,162</b>	<b>-</b>
Environmental Quality and Protection Resource Management	15.236	L16AC00066	138,315	-
Challenge Cost Share	15.238	L14AC00140	14,347	-
Minerals Leasing Act	15.437	MINERAL LEASES	3,742,461	3,742,461
Water Reclamation and Reuse Program	15.504	R14AP00015	50,195	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	2010-0059-301	\$ 65,523	\$ -
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R13AP20030	399,290	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R15AP00035	107,285	-
			<b>572,098</b>	<b>-</b>
Recreation Resources Management	15.524	R15AC00097	90,687	-
Lower Colorado River Multi-Species Conservation Program	15.538	R14AC00106	303,825	14,725
Fish and Wildlife Management Assistance	15.608	F11AC01241	1,818	-
Fish and Wildlife Management Assistance	15.608	F12AC00870	22,800	22,800
Fish and Wildlife Management Assistance	15.608	F12AP01236	342,899	-
Fish and Wildlife Management Assistance	15.608	F13AC00274	26,519	-
Fish and Wildlife Management Assistance	15.608	F14AC00418	138,083	-
Fish and Wildlife Management Assistance	15.608	F15AC00758	5,000	-
Fish and Wildlife Management Assistance	15.608	F16AC00733	10,274	-
Fish and Wildlife Management Assistance	15.608	F16AC01287	14,725	-
Fish and Wildlife Management Assistance	15.608	F16AP00866	18,576	-
			<b>580,694</b>	<b>22,800</b>
Cooperative Endangered Species Conservation Fund	15.615	F10AP00828	319,448	-
Cooperative Endangered Species Conservation Fund	15.615	F15AP00052	29,369	-
Cooperative Endangered Species Conservation Fund	15.615	F16AP00316	82,575	-
Cooperative Endangered Species Conservation Fund	15.615	F16AP00317	102,600	9,193
Cooperative Endangered Species Conservation Fund	15.615	F16AP00318	31,604	1,144
Cooperative Endangered Species Conservation Fund	15.615	F16AP00323	24,259	715
Cooperative Endangered Species Conservation Fund	15.615	F16AP00334	38,437	17,250
			<b>628,292</b>	<b>28,302</b>
Hunter Education and Safety Program	15.626	F16AF00393	80,353	-
State Wildlife Grants	15.634	F11AF01000	740,652	54,198
State Wildlife Grants	15.634	F15AF00797	2,166	-
State Wildlife Grants	15.634	F15AF00798	11,050	11,050
State Wildlife Grants	15.634	F16AF00331	5,090	-
State Wildlife Grants	15.634	F16AF00385	178,368	4,367
State Wildlife Grants	15.634	F16AF00991	4,216	-
			<b>941,542</b>	<b>69,615</b>
Tribal Wildlife Grants	15.639	F16AP00382	8,158	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Endangered Species Conservation - Recovery Implementation Funds	15.657	F15AP00543	\$ 1,860	\$ -
Endangered Species Conservation - Recovery Implementation Funds	15.657	F16AP00904	31,931	2,102
			<b>33,791</b>	<b>2,102</b>
Historic Preservation Fund Grants-In-Aid	15.904	P14AF00036	2,646	2,646
Historic Preservation Fund Grants-In-Aid	15.904	P15AF00038	30,700	30,700
Historic Preservation Fund Grants-In-Aid	15.904	P16AF00005	526,081	85,499
Historic Preservation Fund Grants-In-Aid	15.904	P17AF00019	115,513	-
			<b>674,940</b>	<b>118,845</b>
Natural Resource Stewardship	15.944	P14AC01675	6,507	-
<b>Total Department of the Interior</b>			<b>29,519,334</b>	<b>5,692,266</b>
<b>Department of Justice</b>				
Sexual Assault Services Formula Program	16.017	2015-KF-AX-0056	150,744	150,744
Sexual Assault Services Formula Program	16.017	2016-KF-AX-0034	186,421	168,440
			<b>337,165</b>	<b>319,184</b>
Enhanced Training and Services to End Violence and Abuse of Women Later In Life	16.528	2016-EW-AX-K008	98,310	9,088
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2013-MU-FX-0052	54,892	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2015-JF-FX-0050	188,989	107,903
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2016-JF-FX-0060	144,080	133,025
			<b>387,961</b>	<b>240,928</b>
National Criminal History Improvement Program (NCHIP)	16.554	2013-RU-BX-K002	128,726	-
National Criminal History Improvement Program (NCHIP)	16.554	2014-RU-BX-K039	17,513	-
National Criminal History Improvement Program (NCHIP)	16.554	2015-RU-BX-K020	9,614	-
			<b>155,853</b>	<b>-</b>
Crime Victim Assistance	16.575	2015-VA-GX-0024	11,584,995	10,705,971
Crime Victim Assistance	16.575	2016-VA-GX-0076	606,088	533,177
			<b>12,191,083</b>	<b>11,239,148</b>
Crime Victim Compensation	16.576	2016-VC-GX-0032	2,049,000	-
Crime Victim Assistance/Discretionary Grants	16.582	2015-VF-GX-0023	75,032	5,425
Violence Against Women Formula Grants	16.588	2015-WF-AX-0030	616,956	549,604
Violence Against Women Formula Grants	16.588	2016-WF-AX-0033	1,571,862	1,408,832
			<b>2,188,818</b>	<b>1,958,436</b>

**STATE OF NEVADA**  
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**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2010-WR-AX-0010	\$ 62,596	\$ 35,391
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2016-WR-AX-0046	35,076	-
			<b>97,672</b>	<b>35,391</b>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2009-WE-AX-0010	69,819	3,157
Residential Substance Abuse Treatment for State Prisoners	16.593	2013-RT-BX-0050	58,465	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2014-RT-BX-0034	46,074	-
			<b>104,539</b>	<b>-</b>
State Criminal Alien Assistance Program	16.606	2016-AP-BX-0606	1,419,526	-
Enforcing Underage Drinking Laws Program	16.727	2012-AH-FX-K001	284,248	284,248
Special Data Collections and Statistical Studies	16.734	2015-R2-CX-K043	167,559	-
PREA Program: Demonstration Projects to Establish Zero Tolerance Cultures for Sexual Assault in Correctional Facilities	16.735	2014-JF-FX-0144	3,615	-
PREA Program: Demonstration Projects to Establish Zero Tolerance Cultures for Sexual Assault in Correctional Facilities	16.735	2015-RP-BX-0014	86,208	-
			<b>89,823</b>	<b>-</b>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-MU-BX-0002	80,173	51,807
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-MU-BX-0003	164,902	61,388
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-MU-BX-1065	680,008	454,371
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-MU-BX-0543	1,098,024	824,774
			<b>2,023,107</b>	<b>1,392,340</b>
DNA Backlog Reduction Program	16.741	2016-DN-BX-K011	16,969	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2015-CD-BX-0058	30,066	25,597
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2016-CD-BX-0006	63,640	63,352
			<b>93,706</b>	<b>88,949</b>
Support for Adam Walsh Act Implementation Grant Program	16.750	2014-AW-BX-0039	14,478	-
Support for Adam Walsh Act Implementation Grant Program	16.750	2014-AW-BX-0048	89,685	20,655
Support for Adam Walsh Act Implementation Grant Program	16.750	2015-AW-BX-0030	155,735	-
			<b>259,898</b>	<b>20,655</b>
Edward Byrne Memorial Competitive Grant Program	16.751	2015-XT-BX-0021	21,052	-
Edward Byrne Memorial Competitive Grant Program	16.751	2016-XT-BX-0037	23,711	-
			<b>44,763</b>	<b>-</b>

**STATE OF NEVADA**  
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Second Chance Act Prisoner Reentry Initiative	16.812	2015-CZ-BX-0007	\$ 68,491	\$ -
Second Chance Act Prisoner Reentry Initiative	16.812	2016-CZ-BX-0015	285,644	-
			<b>354,135</b>	<b>-</b>
NICS Act Record Improvement Program	16.813	2015-NS-BX-K005	136,751	-
NICS Act Record Improvement Program	16.813	2016-NS-BX-K001	138,203	-
			<b>274,954</b>	<b>-</b>
John R. Justice Prosecutors and Defenders Incentive Act	16.816	2016-RJ-BX-0036	35,078	-
National Sexual Assault Kit Initiative	16.833	2015-AK-BX-K005	79,748	20,925
National Sexual Assault Kit Initiative	16.833	2016-AK-BX-K004	6,345	-
			<b>86,093</b>	<b>20,925</b>
Equitable Sharing Program	16.922	DOT EQUITABLE DISTRIBUTION EXP	127,131	-
Equitable Sharing Program	16.922	DPS FEDERAL FORFEITURES	844,755	-
Equitable Sharing Program	16.922	Justice Forfeiture Gaming	4,424	-
			<b>976,310</b>	<b>-</b>
<b>Total Department of Justice</b>			<b>23,881,421</b>	<b>15,617,874</b>
<b>Department of Labor</b>				
<b>Employment Service CLUSTER</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-26037-14-55-A-32	82,814	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-27509-15-55-A-32	1,643,946	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-29430-16-55-A-32	5,049,578	-
			<b>6,776,338</b>	<b>-</b>
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-26623-16-55-5-32	729,501	-
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-30032-17-55-5-32	1,170,390	-
			<b>1,899,891</b>	<b>-</b>
<b>Total Employment Service CLUSTER</b>			<b>8,676,229</b>	<b>-</b>
<b>WIOA CLUSTER</b>				
Job Training Partnership Act	17.U01	AG60008	24,057	-
WIOA Adult Program	17.258	AA-26798-15-55-A-32	1,492,240	1,492,240
WIOA Adult Program	17.258	AA-28335-16-55-A-32	8,365,053	7,536,711
			<b>9,857,293</b>	<b>9,028,951</b>
WIOA Youth Activities	17.259	AA-26798-15-55-A-32	4,171,815	4,171,815
WIOA Youth Activities	17.259	AA-28335-16-55-A-32	4,923,740	4,134,592
			<b>9,095,555</b>	<b>8,306,407</b>



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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
WIOA Dislocated Worker Formula Grants	17.278	AA-26798-15-55-A-32	\$ 6,247,773	\$ 5,096,022
WIOA Dislocated Worker Formula Grants	17.278	AA-28335-16-55-A-32	4,159,333	2,677,454
			<b>10,407,106</b>	<b>7,773,476</b>
<b>Total WIOA CLUSTER</b>			<b>29,384,011</b>	<b>25,108,834</b>
Labor Force Statistics	17.002	LM-26932-16-75-J-32	289,205	-
Labor Force Statistics	17.002	LM-28188-17-75-J-32	561,629	-
			<b>850,834</b>	<b>-</b>
Compensation and Working Conditions	17.005	OS-26975-16-75-J-32	16,645	-
Compensation and Working Conditions	17.005	OS-28231-17-75-J-32	51,328	-
			<b>67,973</b>	<b>-</b>
Unemployment Insurance	17.225	UI Trust Fund	309,937,609	-
Unemployment Insurance	17.225	UI-27995-16-55-A-32	8,267,233	-
Unemployment Insurance	17.225	UI-28150-16-60-A-32	1,517,071	-
Unemployment Insurance	17.225	UI-29860-17-55-A-32	17,979,703	-
Unemployment Insurance	17.225	UI-29915-17-55-A-32	17,097	-
Unemployment Insurance	17.225	UI-30236-17-60-A-32	857,435	-
			<b>338,576,148</b>	<b>-</b>
Senior Community Service Employment Program	17.235	AD-28780-16-55-A-32	459,622	443,072
Trade Adjustment Assistance	17.245	TA-25305-14-55-A-32	7,917	-
Trade Adjustment Assistance	17.245	TA-28068-16-55-A-32	95,874	-
			<b>103,791</b>	<b>-</b>
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-27509-15-55-A-32	23,835	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-29430-16-55-A-32	57,910	-
			<b>81,745</b>	<b>-</b>
Temporary Labor Certification for Foreign Workers	17.273	FL-29106-16-55-A-32	100,584	-
Temporary Labor Certification for Foreign Workers	17.273	FL-30843-17-55-A-32	41,370	-
			<b>141,954</b>	<b>-</b>
Workforce Investment Act (WIA) National Emergency	17.277	EM-24462-13-60-A-32	6,768	-
Workforce Investment Act (WIA) National Emergency	17.277	EM-25871-14-60-A-32	506,937	-
			<b>513,705</b>	<b>-</b>
Apprenticeship USA Grants	17.285	AP-29167-16-55-A-32	52,674	-
Apprenticeship USA Grants	17.285	AP-30083-16-60-A-32	123,542	-
			<b>176,216</b>	<b>-</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Occupational Safety and Health_State Program	17.503	SP-27561-SP6	\$ 10,769	\$ -
Occupational Safety and Health_State Program	17.503	SP-28969-SP7	1,457,900	-
			<b>1,468,669</b>	<b>-</b>
Consultation Agreements	17.504	CS-27075-CS6	79,376	-
Consultation Agreements	17.504	CS-28931-CS7	612,600	-
			<b>691,976</b>	<b>-</b>
Mine Health and Safety Grants	17.600	MS-30936-17-55-R-32	362,844	-
<b>Total Department of Labor</b>			<b>381,555,717</b>	<b>25,551,906</b>
<b>Department of Transportation</b>				
<b>Federal Transit CLUSTER</b>				
Federal Transit_Capital Investment Grants	20.500	NV-04-0008	14,527	14,527
Bus and Bus Facilities Formula Program	20.526	NV-34-0006	58,010	58,010
<b>Total Federal Transit CLUSTER</b>			<b>72,537</b>	<b>72,537</b>
<b>Highway Planning and Construction CLUSTER</b>				
Highway Planning and Construction	20.205	20205	357,770,472	79,606,101
Recreational Trails Program	20.219	NRTP-012	23,682	23,682
Recreational Trails Program	20.219	NRTP-013	213,337	115,460
Recreational Trails Program	20.219	NRTP-014	98,500	55,162
Recreational Trails Program	20.219	NRTP-015	82,513	72,903
Recreational Trails Program	20.219	NRTP-016	120,947	120,947
			<b>538,979</b>	<b>388,154</b>
<b>Total Highway Planning and Construction CLUSTER</b>			<b>358,309,451</b>	<b>79,994,255</b>
<b>Highway Safety CLUSTER</b>				
State and Community Highway Safety	20.600	20600	176,475	46,983
State and Community Highway Safety	20.600	NHTSA 402 FY14	1,988,373	1,132,800
			<b>2,164,848</b>	<b>1,179,783</b>
Incentive Grant Program to Increase Motorcyclist Safety	20.612	NHTSA 2010 FY12	53,352	-
National Priority Safety Programs	20.616	20616	29,574	29,574
National Priority Safety Programs	20.616	MAP21 405B OP	433,689	330,084
National Priority Safety Programs	20.616	MAP21 405C DATA	423,554	343,963
National Priority Safety Programs	20.616	MAP21 405D IMPAIRED	1,223,119	793,933
National Priority Safety Programs	20.616	MAP21 405F MOTORCYCLE	83,616	-
			<b>2,193,552</b>	<b>1,497,554</b>
<b>Total Highway Safety CLUSTER</b>			<b>4,411,752</b>	<b>2,677,337</b>

**STATE OF NEVADA**  
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Transit Services Programs CLUSTER</b>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NV-16-0038	\$ 169,950	\$ 151,280
<b>Total Transit Services Programs CLUSTER</b>			<b>169,950</b>	<b>151,280</b>
Airport Improvement Program	20.106	3-32-0041-001	31,950	31,950
Airport Improvement Program	20.106	Airport Improvement Program-2	2,600	2,600
			<b>34,550</b>	<b>34,550</b>
National Motor Carrier Safety	20.218	FM-MCG-0253-15-01-00	266,130	-
National Motor Carrier Safety	20.218	FM-MCG-0307-16-01-00	1,194,956	-
National Motor Carrier Safety	20.218	FM-MCG-0340-17	16,186	-
National Motor Carrier Safety	20.218	FM-MNE-0206-15-01-01	11,785	-
National Motor Carrier Safety	20.218	FM-MNE-0245-16-01-00	152,278	-
			<b>1,641,335</b>	<b>-</b>
Performance and Registration Information Systems Management	20.231	FM-PZG-0061-15-01-00	14,807	-
Commercial Driver's License Program Improvement Grant	20.232	FM-CDL-0129-13-01-00	16,902	-
Commercial Vehicle Information Systems and Networks	20.237	FM-CVN-0094-15-01-00	62,177	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	NV-80-0016	256,871	256,871
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	NV-80-0017	87,293	87,293
			<b>344,164</b>	<b>344,164</b>
Formula Grants for Rural Areas	20.509	NV-18-X025	18,610	13,481
Formula Grants for Rural Areas	20.509	NV-18-X031	15,618	15,618
Formula Grants for Rural Areas	20.509	NV-18-X032	98,196	72,327
Formula Grants for Rural Areas	20.509	NV-18-X035	1,263,520	1,263,520
Formula Grants for Rural Areas	20.509	NV-18-X038	740,017	708,151
Formula Grants for Rural Areas	20.509	NV-18-X039	2,059,051	2,031,769
Formula Grants for Rural Areas	20.509	NV-18-X040	3,570,667	3,311,608
			<b>7,765,679</b>	<b>7,416,474</b>
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	DTNH22-12-H-00149	49,321	-
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	DTNH2217H00149	11,126	-
			<b>60,447</b>	<b>-</b>
Pipeline Safety	20.700	DTPH5616GSBG26	641,195	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0479-15-01-00	\$ 79,662	\$ 79,662
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0550-16-01-00	126,319	121,716
			<b>205,981</b>	<b>201,378</b>
State Damage Prevention Program Grants	20.720	DTPH5615GPPS12	3,926	-
State Damage Prevention Program Grants	20.720	DTPH5616GSDP07	32,918	-
			<b>36,844</b>	<b>-</b>
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-16-G-SOC15	49,163	-
<b>Total Department of Transportation</b>			<b>373,836,934</b>	<b>90,891,975</b>
<b>Department of Treasury</b>				
National Foreclosure Mitigation Counseling Program	21.U01	PL113-235X1350	38,876	33,210
National Foreclosure Mitigation Counseling Program	21.U01	PL114-113X1350	108,716	98,505
			<b>147,592</b>	<b>131,715</b>
Equitable Sharing	21.016	US TREASURY FORFEITURE GAMING	251,839	-
<b>Total Department of Treasury</b>			<b>399,431</b>	<b>131,715</b>
<b>National Aeronautics and Space Administration</b>				
Aeronautics	43.002	NNX15AV03A	256,791	256,791
<b>Total National Aeronautics and Space Administration</b>			<b>256,791</b>	<b>256,791</b>
<b>National Foundation on the Arts and the Humanities</b>				
Promotion of the Arts_Partnership Agreements	45.025	16-6100-2041	705,100	412,976
Promotion of the Humanities_Federal/State Partnership	45.129	2016-54M	900	-
Museums for America	45.301	MA-31-16-0323-16	9,032	-
Grants to States	45.310	LS-00-15-0029-15	415,406	91,838
Grants to States	45.310	LS-00-16-0029-16	1,281,667	605,929
			<b>1,697,073</b>	<b>697,767</b>
<b>Total National Foundation on the Arts and the Humanities</b>			<b>2,412,105</b>	<b>1,110,743</b>
<b>Small Business Administration</b>				
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM	59.061	SBAHQ-15-IT-0035	42,641	17,170
STATE TRADE AND EXPORT PROMOTION PILOT GRANT PROGRAM	59.061	SBAHQ-16-IT-0050	16,002	14,186
			<b>58,643</b>	<b>31,356</b>
<b>Total Small Business Administration</b>			<b>58,643</b>	<b>31,356</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Department of Veterans Affairs</b>				
Veterans Transportation Program	64.035	742-2015-HRTG-004	\$ 26,673	\$ 26,673
Veterans Transportation Program	64.035	742-2016-HRTG-004	65,038	65,038
			<b>91,711</b>	<b>91,711</b>
State Cemetery Grants	64.203	NV-10-14	3,239,759	-
<b>Total Department of Veterans Affairs</b>			<b>3,331,470</b>	<b>91,711</b>
<b>Environmental Protection Agency</b>				
<b>Clean Water State Revolving Fund Cluster CLUSTER</b>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000115	5,692,488	38,953
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000116-0	6,481,442	-
			<b>12,173,930</b>	<b>38,953</b>
<b>Total Clean Water State Revolving Fund Cluster CLUSTER</b>			<b>12,173,930</b>	<b>38,953</b>
<b>Drinking Water State Revolving Fund Cluster CLUSTER</b>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996015	3,717,106	546,177
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996016-0	7,766,264	357,894
			<b>11,483,370</b>	<b>904,071</b>
<b>Total Drinking Water State Revolving Fund Cluster CLUSTER</b>			<b>11,483,370</b>	<b>904,071</b>
State Indoor Radon Grants	66.032	96963517	184,302	176,229
Multipurpose Grants to States and Tribes	66.204	AA-99T60401	96,451	9,375
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20616	106,024	-
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20617	3,123	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933616	660,746	157,723
Water Pollution Control_State and Interstate Program Support	66.419	I-97933716	215,010	-
Water Pollution Control_State and Interstate Program Support	66.419	I-98972813	179,899	14,067
			<b>1,164,802</b>	<b>171,790</b>
State Public Water System Supervision	66.432	F-00910516	638,949	96,152
State Underground Water Source Protection	66.433	G-00945615	81,000	-
Water Quality Management Planning	66.454	C6-97965915	12,772	12,772
Water Quality Management Planning	66.454	C6-97965916	27,848	-
Water Quality Management Planning	66.454	C6-97965917	60,000	-
			<b>100,620</b>	<b>12,772</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Nonpoint Source Implementation Grants	66.460	C9-97908114	\$ 349,019	\$ 75,938
Nonpoint Source Implementation Grants	66.460	C9-97908115	327,960	259,053
Nonpoint Source Implementation Grants	66.460	C9-97908116	759,146	199,086
Nonpoint Source Implementation Grants	66.460	C9-97908117	35,286	-
			<b>1,471,411</b>	<b>534,077</b>
Performance Partnership Grants	66.605	BG-00T87015-0	102,194	4,754
Performance Partnership Grants	66.605	BG-00T87017-0	226,469	5,974
Performance Partnership Grants	66.605	BG-97958816	1,485,499	-
			<b>1,814,162</b>	<b>10,728</b>
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83566001	2,177	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83586001	119,409	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83653001-0	62,450	-
			<b>184,036</b>	<b>-</b>
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	V-99T28801	237,351	-
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	V-99T41401	110,202	-
			<b>347,553</b>	<b>-</b>
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-99T10501-0	304,177	55,749
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-99T10401-0	350,260	49,767
State and Tribal Response Program Grants	66.817	RP-00T84901	343,927	-
State and Tribal Response Program Grants	66.817	RP-99T41601	331,757	-
			<b>675,684</b>	<b>-</b>
<b>Total Environmental Protection Agency</b>			<b>31,070,707</b>	<b>2,059,663</b>
<b>Department of Energy</b>				
State Energy Program	81.041	DE-EE0006992	287,565	34,173
ARRA - State Energy Program	81.041A	DE-EE-0000084	30,003	-
			<b>317,568</b>	<b>34,173</b>
Weatherization Assistance for Low-Income Persons	81.042	DE-EE0006168	842,513	751,488
Environmental Remediation and Waste Processing and Disposal	81.104	DE-EM0001053	64,302	-
Environmental Remediation and Waste Processing and Disposal	81.104	DE-EM0004215	1,602,302	-
Environmental Remediation and Waste Processing and Disposal	81.104	DE-NA0003294	529,371	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Environmental Remediation and Waste Processing and Disposal	81.104	DE-NA0003295	\$ 619,185	\$ -
			<b>2,815,160</b>	<b>-</b>
Miscellaneous Federal Activities Actions	81.U01	DE-FG52-00NV13804	637,822	619,423
<b>Total Department of Energy</b>			<b>4,613,063</b>	<b>1,405,084</b>
<b>Department of Education</b>				
<b>Special Education CLUSTER</b>				
Special Education_Grants to States	84.027	H027A140043	1,519,306	1,034,459
Special Education_Grants to States	84.027	H027A150043	19,563,048	17,759,553
Special Education_Grants to States	84.027	H027A160043	52,276,180	52,070,007
			<b>73,358,534</b>	<b>70,864,019</b>
Special Education_Preschool Grants	84.173	H173A150046	434,418	415,278
Special Education_Preschool Grants	84.173	H173A160046	1,705,131	1,702,767
			<b>2,139,549</b>	<b>2,118,045</b>
<b>Total Special Education CLUSTER</b>			<b>75,498,083</b>	<b>72,982,064</b>
Adult Education_State Grant Program	84.002	V002A140029	85,835	-
Adult Education_State Grant Program	84.002	V002A150029	1,947,737	1,774,294
Adult Education_State Grant Program	84.002	V002A160029	3,968,660	3,968,660
			<b>6,002,232</b>	<b>5,742,954</b>
Title I Grants to Local Educational Agencies	84.010	S010A140028	823,166	774,038
Title I Grants to Local Educational Agencies	84.010	S010A150028	26,310,552	25,491,843
Title I Grants to Local Educational Agencies	84.010	S010A160028	88,509,892	88,501,416
			<b>115,643,610</b>	<b>114,767,297</b>
Migrant Education_State Grant Program	84.011	S011A140028	99,015	77,699
Migrant Education_State Grant Program	84.011	S011A150028	109,173	80,406
Migrant Education_State Grant Program	84.011	S011A160028	7,196	-
			<b>215,384</b>	<b>158,105</b>
Title I Program for Neglected and Delinquent Children	84.013	S013A150028	58,076	42,090
Title I Program for Neglected and Delinquent Children	84.013	S013A160028	501,307	276,845
			<b>559,383</b>	<b>318,935</b>
Career and Technical Education_Basic Grants to States	84.048	V048A140028	892,717	725,802
Career and Technical Education_Basic Grants to States	84.048	V048A150028	2,473,308	1,432,990
Career and Technical Education_Basic Grants to States	84.048	V048A160028	6,008,293	5,666,650
			<b>9,374,318</b>	<b>7,825,442</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A160041	\$ 3,913,050	\$ -
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A170041	11,755,368	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	PROGRAM INCOME SSAST17	658,631	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST16	264,067	-
			<b>16,591,116</b>	<b>-</b>
Migrant Education_Coordination Program	84.144	S144F140028	43,167	7,754
Migrant Education_Coordination Program	84.144	S144F150028	13,473	-
			<b>56,640</b>	<b>7,754</b>
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B160028	64,301	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B170028	196,913	-
			<b>261,214</b>	<b>-</b>
Special Education-Grants for Infants and Families	84.181	H181A150019	1,262,213	50,185
Special Education-Grants for Infants and Families	84.181	H181A160019	2,689,679	26,287
			<b>3,951,892</b>	<b>76,472</b>
Safe and Drug-Free Schools and Communities_National Programs	84.184	S184F140007	743,142	732,106
Safe and Drug-Free Schools and Communities_National Programs	84.184	S184Q140011	35,665	13,076
			<b>778,807</b>	<b>745,182</b>
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A160042	130,942	100
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A170042	24,932	-
			<b>155,874</b>	<b>100</b>
Education of Homeless Children and Youth	84.196	S196A140029	126,272	101,503
Education of Homeless Children and Youth	84.196	S196A150029	218,324	85,589
Education of Homeless Children and Youth	84.196	S196A160029	290,033	266,041
			<b>634,629</b>	<b>453,133</b>
Charter Schools	84.282	U282A150016	448,005	270,211
Twenty-First Century Community Learning Centers	84.287	S287C140028	4,437,044	4,366,944
Twenty-First Century Community Learning Centers	84.287	S287C150028	1,807,725	1,386,309
			<b>6,244,769</b>	<b>5,753,253</b>
Special Education - State Personnel Development	84.323	H323A150012	968,357	744,620



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Advanced Placement Program	84.330	S330B140013	\$ 51,719	\$ 19,172
Advanced Placement Program	84.330	S330B160018	391,786	5,580
			<b>443,505</b>	<b>24,752</b>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S120028	3,835,636	3,306,302
Rural Education	84.358	S358B140028	5,385	5,385
Rural Education	84.358	S358B150028	145,126	145,126
			<b>150,511</b>	<b>150,511</b>
English Language Acquisition Grants	84.365	S365A140028	299,029	299,029
English Language Acquisition Grants	84.365	S365A150028	1,719,071	1,647,859
English Language Acquisition Grants	84.365	S365A160028	4,635,224	4,232,042
			<b>6,653,324</b>	<b>6,178,930</b>
Mathematics and Science Partnerships	84.366	S366B140029	616,181	616,181
Mathematics and Science Partnerships	84.366	S366B150029	871,217	772,538
Mathematics and Science Partnerships	84.366	S366B160029	124,209	100,212
			<b>1,611,607</b>	<b>1,488,931</b>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A140027	115,102	71,592
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A150027	5,679,366	5,410,046
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A160027	3,865,587	3,845,739
			<b>9,660,055</b>	<b>9,327,377</b>
Grants for State Assessments and Related Activities	84.369	S369A150029	1,102,919	-
Grants for State Assessments and Related Activities	84.369	S369A160029	2,810,124	-
			<b>3,913,043</b>	<b>-</b>
Striving Readers	84.371	S371C110026	7,107,358	6,879,243
Statewide Longitudinal Data Systems	84.372	R372A120020-14	23,646	-
School Improvement Grants	84.377	S377A120029	777,590	745,254
School Improvement Grants	84.377	S377A130029	1,238,687	992,395
School Improvement Grants	84.377	S377A140029	522,718	519,794
School Improvement Grants	84.377	S377A150029	409,695	409,695
			<b>2,948,690</b>	<b>2,667,138</b>
Preschool Development Grants	84.419	S419A150004-15A	9,061,536	8,395,005
<b>Total Department of Education</b>			<b>282,793,224</b>	<b>248,263,711</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Department of Health and Human Services</b>				
<b>Aging CLUSTER</b>				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	15AANVT3SS	\$ 194,687	\$ 194,687
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	16AANVT3SS	1,930,267	1,817,613
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	17AANVT3SS	331,477	-
			<b>2,456,431</b>	<b>2,012,300</b>
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	14AANVT3CM	6,323	6,323
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	16AANVT3CM	1,340,496	1,153,715
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	16AANVT3HD	2,920,222	2,920,222
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	17AANVT3CM	819,357	102,077
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	17AANVT3HD	721,188	721,188
			<b>5,807,586</b>	<b>4,903,525</b>
Nutrition Services Incentive Program	93.053	16AANVNSIP	331,241	331,241
Nutrition Services Incentive Program	93.053	17AANVNSIP	934,244	934,244
Nutrition Services Incentive Program	93.053	Nutrition Services Incentive Program Commodities	59,891	59,891
			<b>1,325,376</b>	<b>1,325,376</b>
<b>Total Aging CLUSTER</b>			<b>9,589,393</b>	<b>8,241,201</b>
<b>CCDF CLUSTER</b>				
Child Care and Development Block Grant	93.575	G1601NVCCDF 2016G996005	21,209,819	18,309,992
Child Care and Development Block Grant	93.575	G1701NVCCDF 2017G996005	5,288,415	3,115,636
			<b>26,498,234</b>	<b>21,425,628</b>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1601NVCCDF 2016G999004	516,085	524,237
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1601NVCCDF 2016G999005	12,778,756	12,624,192
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1601NVCCDF 2016G99WRGE	350,885	350,885
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1701NVCCDF 2017G999004	1,909,391	1,909,391
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1701NVCCDF 2017G999005	7,371,626	7,361,926
			<b>22,926,743</b>	<b>22,770,631</b>
<b>Total CCDF CLUSTER</b>			<b>49,424,977</b>	<b>44,196,259</b>
<b>Maternal, Infant and Early Childhood Home Visiting CLUSTER</b>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	6D89MC26360-01-03	141,915	32,940

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Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	6X02MC27408-01-02	\$ 280,829	\$ 247,881
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	6X02MC28233-01-00	1,117,471	716,651
			<b>1,540,215</b>	<b>997,472</b>
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	1 X10MC29489-01-00	1,079,372	903,582
<b>Total Maternal, Infant and Early Childhood Home Visiting CLUSTER</b>			<b>2,619,587</b>	<b>1,901,054</b>
<b>Medicaid CLUSTER</b>				
State Medicaid Fraud Control Units	93.775	1601NV5050	393,503	-
State Medicaid Fraud Control Units	93.775	1701NV5050	1,212,779	-
			<b>1,606,282</b>	<b>-</b>
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1605-NV-5000	340,018	28,941
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1605-NV-5002	43,539	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	1705NV5000	1,070,879	86,822
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	1705NV5002	111,522	-
			<b>1,565,958</b>	<b>115,763</b>
Medical Assistance Program	93.778	05-1505NVBIPP	2,256,751	-
Medical Assistance Program	93.778	05-1505NVIMPL	628	-
Medical Assistance Program	93.778	05-1605NV5ADM	15,282,074	-
Medical Assistance Program	93.778	05-1605NV5MAP	704,096,585	-
Medical Assistance Program	93.778	05-1605NVIMPL	166,333	-
Medical Assistance Program	93.778	05-1605NVINCT	3,702,868	-
Medical Assistance Program	93.778	05-1705NV5ADM	114,304,067	-
Medical Assistance Program	93.778	05-1705NV5MAP	1,991,356,303	-
Medical Assistance Program	93.778	1705NVIMPL	1,524,716	-
Medical Assistance Program	93.778	1705NVINCT	3,069,090	-
			<b>2,835,759,415</b>	<b>-</b>
<b>Total Medicaid CLUSTER</b>			<b>2,838,931,655</b>	<b>115,763</b>
<b>TANF CLUSTER</b>				
Temporary Assistance for Needy Families	93.558	1701NVTANF 2017G996115	12,115,662	275,337
Temporary Assistance for Needy Families	93.558	G-1601NVTAN3 2016G9916TC	4,312,106	-
Temporary Assistance for Needy Families	93.558	G-1601NVTANF 2016G996115	22,685,647	1,123,094
			<b>39,113,415</b>	<b>1,398,431</b>
<b>Total TANF CLUSTER</b>			<b>39,113,415</b>	<b>1,398,431</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	15AANVT7EA	\$ 2,292	\$ 2,292
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	16AANVT7EA	14,725	-
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	17AANVT7EA	17,639	-
			<b>34,656</b>	<b>2,292</b>
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	15AANVT7OM	34,292	33,184
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	16AANVT7OM	33,611	-
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	17AANVT7OM	62,702	-
			<b>130,605</b>	<b>33,184</b>
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	16AANVT3PH	129,164	129,164
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	17AANVT3PH	13,247	13,247
			<b>142,411</b>	<b>142,411</b>
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90MP0209-02	275,942	-
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90MP0209-03	16,470	-
			<b>292,412</b>	<b>-</b>
Alzheimer's Disease Demonstration Grants to States	93.051	90DS2011-01	171,681	116,645
Alzheimer's Disease Demonstration Grants to States	93.051	90DS2022-01	102,737	99,029
			<b>274,418</b>	<b>215,674</b>
National Family Caregiver Support	93.052	16AANVT3FC	824,175	738,257
National Family Caregiver Support	93.052	17AANVT3FC	266,181	266,181
			<b>1,090,356</b>	<b>1,004,438</b>
Public Health Emergency Preparedness	93.069	1 NU90TP921824-01-00	158,210	115,534
Public Health Emergency Preparedness	93.069	5 NU90TP000534-05-00	6,038,597	4,374,790
Public Health Emergency Preparedness	93.069	6 NU90TP000534-05-02	333,201	201,627
			<b>6,530,008</b>	<b>4,691,951</b>
Medicare Enrollment Assistance Program	93.071	14AANVMAAA	60,838	-
Medicare Enrollment Assistance Program	93.071	14AANVMADR	53,465	43,699
Medicare Enrollment Assistance Program	93.071	14AANVMSHI	70,920	46,477
			<b>185,223</b>	<b>90,176</b>

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Lifespan Respite Care Program	93.072	90L10016-02	\$ 39,085	\$ 8,679
Lifespan Respite Care Program	93.072	90L10016-03	81,287	60,113
			<b>120,372</b>	<b>68,792</b>
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	3U90TP000534-03S2	863,756	570,751
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	6 NU87PS004194-03-01	41,197	41,197
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	6 NU87PS004194-04-02	62,106	62,106
			<b>103,303</b>	<b>103,303</b>
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0060-04	212,238	209,713
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0060-05-00	344,237	338,781
			<b>556,475</b>	<b>548,494</b>
Guardianship Assistance RECOVERY	93.090	G-1701NVGARD	38,915	38,915
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1401NVPREP	120,850	96,380
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1501NVPREP	258,164	207,648
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1601NVPREP	5	-
			<b>379,019</b>	<b>304,028</b>
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1U79SM062474-01	676,449	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	5U79SM062474-02	1,937,979	-
			<b>2,614,428</b>	<b>-</b>
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-23-01	17,778	-
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-24-02	41,856	-
Maternal and Child Health Federal Consolidated Programs	93.110	H25MC28321-02-02	43,803	-
			<b>103,437</b>	<b>-</b>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	6 NU52PS004681-02-01	356,934	272,259
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	6 NU52PS004681-03-02	352,637	285,528
			<b>709,571</b>	<b>557,787</b>
Emergency Medical Services for Children	93.127	5 H33MC06694-11-00	148,144	20,983
Emergency Medical Services for Children	93.127	6 H33MC06694-12-01	29,306	-
			<b>177,450</b>	<b>20,983</b>

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Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016029-15	\$ 149,829	\$ 141,127
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016029-16	368,093	368,056
			<b>517,922</b>	<b>509,183</b>
Family Planning_Services	93.217	1FPHPA096280-01-00	101,989	-
Family Planning_Services	93.217	4FPHPA096158-02-01	66,974	-
Family Planning_Services	93.217	5 FPHPA096280-02-00	15,734	-
			<b>184,697</b>	<b>-</b>
Affordable Care Act (ACA) Abstinence Education Program	93.235	1501NVAEGP	161,502	76,152
Affordable Care Act (ACA) Abstinence Education Program	93.235	1601NVAEGP	369,404	192,092
			<b>530,906</b>	<b>268,244</b>
Policy Research and Evaluation Grants	93.239	90II0008/01-00	11,136	11,136
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79SM062445-01	1,065,902	1,064,988
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79TI026028-01	51,323	8,243
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79SM062101	2,164,041	1,269,566
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79TI025345-03	350,383	244,568
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79TI026028-02	149,889	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5U79SP020156-03	818,903	722,222
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5U79SP020156-04	1,249,585	1,053,015
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	7U79SM063388-03	2,391,763	2,205,132
			<b>8,241,789</b>	<b>6,567,734</b>
Universal Newborn Hearing Screening	93.251	5 H61MC25010-05-00	184,796	39,507
Universal Newborn Hearing Screening	93.251	6H61MC25010-06-01	25,979	4,287
			<b>210,775</b>	<b>43,794</b>
Immunization Cooperative Agreements	93.268	1H23IP000943-01	128,983	128,983
Immunization Cooperative Agreements	93.268	6 NH23IP000727-05-02	276,427	187,376
Immunization Cooperative Agreements	93.268	DIRECT ASSISTANCE	36,257,899	-
			<b>36,663,309</b>	<b>316,359</b>
Adult Viral Hepatitis Prevention and Control	93.270	6 NU51PS004092-04-02	40,739	28,147
Adult Viral Hepatitis Prevention and Control	93.270	6 NU51PS005120-01-03	62,301	31,196
			<b>103,040</b>	<b>59,343</b>

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Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U50OE000097-01	\$ 35,911	\$ -
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 NU50OE000097-02-00	185,716	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 NU58DP003929-05-00	839,670	123,806
			<b>1,061,297</b>	<b>123,806</b>
National State Based Tobacco Control Programs	93.305	6 NU58DP006009-02-01	621,360	401,970
National State Based Tobacco Control Programs	93.305	6 NU58DP006009-03-01	130,604	79,038
			<b>751,964</b>	<b>481,008</b>
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	2 NURDD000788-06-00	114,258	2,247
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	3U50CK000419-02S1	130,323	74,612
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	6 NU50CK000419-03-04	1,223,034	909,123
			<b>1,353,357</b>	<b>983,735</b>
State Health Insurance Assistance Program	93.324	9 0SA0086-01	317,348	-
State Health Insurance Assistance Program	93.324	90SA0044-02	22,866	-
State Health Insurance Assistance Program	93.324	90SAPG0046-01	97,462	-
			<b>437,676</b>	<b>-</b>
Independent Living State Grants	93.369	16G1NVILSG	160,516	70,501
Independent Living State Grants	93.369	17G1NVILSG	167,077	105,000
			<b>327,593</b>	<b>175,501</b>
State Grant for Assistive Tech	93.464	1601NVSGAT	296,283	257,611
State Grant for Assistive Tech	93.464	90AG0008-01	162,167	157,058
			<b>458,450</b>	<b>414,669</b>
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	1A1CMS330886-01-05	353,867	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	4 PRPPR140072-01-02	395,339	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	6 PRPPR120027-01-01	276,366	-
			<b>671,705</b>	<b>-</b>
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	5U50CK000419-02	52,257	37,655
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	6 NU50CK000419-03-01	345,562	221,912
			<b>397,819</b>	<b>259,567</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE120129-01-16	\$ 3,881,465	\$ 511,913
The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536	1B1CMS330879-01	1,675	-
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	5 NH23IP000727-05-00	413,537	140,513
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	6 NH23IP000727-04-04	2,420,495	1,432,413
			<b>2,834,032</b>	<b>1,572,926</b>
Promoting Safe and Stable Families	93.556	G-1501NVFPSS	167,316	162,464
Promoting Safe and Stable Families	93.556	G-1511NVFPCV	33,696	28,526
Promoting Safe and Stable Families	93.556	G-1601NVFPSS	2,232,504	2,151,332
Promoting Safe and Stable Families	93.556	G-1611NVFPCV	88,999	88,115
Promoting Safe and Stable Families	93.556	G-1701NVFPSS	23,499	-
			<b>2,546,014</b>	<b>2,430,437</b>
Child Support Enforcement	93.563	1204NV4005 2014G9914CJ	741,261	670,511
Child Support Enforcement	93.563	1304NV4005 2013G9913CJ	1,492,658	1,250,408
Child Support Enforcement	93.563	1604NVCSSES 2016G9916CS	5,380,145	2,092,953
Child Support Enforcement	93.563	CSE 1704NVCSSES 2017G9917CS	24,859,896	16,819,053
Child Support Enforcement	93.563	PROGRAM INCOME	6,833,221	5,849,780
			<b>39,307,181</b>	<b>26,682,705</b>
Low-Income Home Energy Assistance	93.568	G-16B1NVLIEA 2016G992201	2,971,808	220,616
Low-Income Home Energy Assistance	93.568	G-16B1NVLIEA G-1601NVLIE4	2,284	-
Low-Income Home Energy Assistance	93.568	G-17B1NVLIEA 2017G992201	6,158,458	227,485
			<b>9,132,550</b>	<b>448,101</b>
Community Services Block Grant	93.569	G-16B1NVCOSR	1,627,052	1,547,604
Community Services Block Grant	93.569	G-17B1NVCOSR	1,903,177	1,814,234
			<b>3,530,229</b>	<b>3,361,838</b>
State Court Improvement Program	93.586	G-1501NVSCID	49,398	-
State Court Improvement Program	93.586	G-1501NVSCIP	31,089	-
State Court Improvement Program	93.586	G-1501NVSCIT	22,949	-
State Court Improvement Program	93.586	G-1601NVSCID	90,438	-
State Court Improvement Program	93.586	G-1601NVSCIP	99,499	-
State Court Improvement Program	93.586	G-1601NVSCIT	91,999	-
			<b>385,372</b>	<b>-</b>



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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Community-Based Child Abuse Prevention Grants	93.590	G-1501NVFRPG	\$ 12,105	\$ 3,845
Community-Based Child Abuse Prevention Grants	93.590	G-1601NVFRPG	277,149	245,770
			<b>289,254</b>	<b>249,615</b>
Grants to States for Access and Visitation Programs	93.597	1501NVSAVP 2015G9915AV	18,527	-
Grants to States for Access and Visitation Programs	93.597	1601NVSAVP 2016G9916AV	75,430	-
			<b>93,957</b>	<b>-</b>
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1501NVCETV	124,355	124,355
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1601NVCETV	366,082	366,082
			<b>490,437</b>	<b>490,437</b>
Head Start	93.600	09CD4012-01-00	48,660	-
Head Start	93.600	09CD4012-02-00	43,803	-
			<b>92,463</b>	<b>-</b>
Adoption Incentive Payments	93.603	1401NVAIPP	1,024,432	1,002,309
Adoption Incentive Payments	93.603	G-1501NVAIPP	756,116	702,473
			<b>1,780,548</b>	<b>1,704,782</b>
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1501NVBSDD	158,250	102,830
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1601NVBSDD	376,704	121,173
			<b>534,954</b>	<b>224,003</b>
Children's Justice Grants to States	93.643	G-1401NVCJA1	64,656	53,001
Children's Justice Grants to States	93.643	G-1501NVCJA1	169,796	130,781
Children's Justice Grants to States	93.643	G-1601NVCJA1	88,210	66,107
			<b>322,662</b>	<b>249,889</b>
Child Welfare Services_State Grants	93.645	G-1601NVCWSS	2,620,626	248,019
Foster Care_Title IV-E	93.658	1701NVFOST	33,755,890	29,763,486
Foster Care_Title IV-E	93.658	G-1601NVFOST	10,366,206	10,019,709
			<b>44,122,096</b>	<b>39,783,195</b>
Adoption Assistance	93.659	1701NVADPT	24,970,602	22,415,495
Adoption Assistance	93.659	G-1601NVADPT	7,536,594	7,129,371
			<b>32,507,196</b>	<b>29,544,866</b>
Social Services Block Grant	93.667	G-1601NVSOSR	4,240,283	478,309
Social Services Block Grant	93.667	G-1701NVSOSR	8,796,353	3,114,358
			<b>13,036,636</b>	<b>3,592,667</b>
Child Abuse and Neglect State Grants	93.669	G-1301NVCA01	5,352	5,148
Child Abuse and Neglect State Grants	93.669	G-1401NVCA01	250,535	181,712
Child Abuse and Neglect State Grants	93.669	G-1501NVCA01	82,146	2,948
			<b>338,033</b>	<b>189,808</b>

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Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1501NVFVPS	\$ 262,476	\$ 261,975
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1601NVFVPS	981,539	961,719
			<b>1,244,015</b>	<b>1,223,694</b>
Chafee Foster Care Independence Program	93.674	G-1501NVCILP	318,983	313,159
Chafee Foster Care Independence Program	93.674	G-1601NVCILP	1,351,706	1,298,392
			<b>1,670,689</b>	<b>1,611,551</b>
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP000912-01	43,491	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP000989-01	375,682	321,693
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP001013-01	262,271	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1NH23IP922566-01-00	72,754	8,239
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	6NU38IP000873-01-01	307,889	-
			<b>1,062,087</b>	<b>329,932</b>
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	5 NU58DP005327-02-00	64,021	59,302
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	6 NU58DP005327-03-03	120,728	105,315
			<b>184,749</b>	<b>164,617</b>
PPHF-2012: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed by PPHF	93.745	5 NU58DP006028-02-00	200,429	106,904
PPHF-2012: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed by PPHF	93.745	6 NU58DP006028-03-01	35,656	-
			<b>236,085</b>	<b>106,904</b>
Elder Abuse Prevention Interventions Program	93.747	90EJSG0011-01	26,811	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	6 NU58DP003929-04-01	140,664	137,911

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Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	6 NU58DP003929-05-03	\$ 2,620,742	\$ 2,120,779
			<b>2,761,406</b>	<b>2,258,690</b>
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	6 NU58DP004820-03-01	35,118	-
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	6 NU58DP004820-04-02	558,967	361,924
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	6 NU58DP004820-05-01	316	-
			<b>594,401</b>	<b>361,924</b>
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	1 NB01OT009079-0100	409,465	165,138
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	2B01OT009040-15	233,646	69,998
			<b>643,111</b>	<b>235,136</b>
Alzheimer's Disease Initiative	93.763	90ALGG0011-01	27,640	22,291
Children's Health Insurance Program	93.767	05-1605NV5021	36,591,276	-
Children's Health Insurance Program	93.767	1705NV0301	33,049,630	-
Children's Health Insurance Program	93.767	1Z0CMS331530-01-00	323,692	248,792
			<b>69,964,598</b>	<b>248,792</b>
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330822-01-02	1,372,894	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	05-1605-NV-5001	189,694	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	05-1705NV5001	647,406	-
			<b>837,100</b>	<b>-</b>
Organized Approaches to Increase Colorectal Cancer Screening	93.800	5 NU58DP006090-02-00	852,255	569,340
Organized Approaches to Increase Colorectal Cancer Screening	93.800	5 NU58DP006090-03-00	722	-
			<b>852,977</b>	<b>569,340</b>
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815	3U50CK000419-01S2	754,382	477,374
Ebola Preparedness & Response	93.817	U3REP150510-01-00	169,742	128,497
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	1H79SM062944-01	490,909	33,892
National Bioterrorism Hospital Preparedness Program	93.889	5 NU90TP000534-05-00	1,904,612	1,302,321

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	6 NU58DP006306-01-02	\$ 2,901	\$ -
HIV Care Formula Grants	93.917	6 X07HA0001-26-02	3,630,888	1,632,451
HIV Care Formula Grants	93.917	6X07HA00001-27-02	145,775	-
			<b>3,776,663</b>	<b>1,632,451</b>
HIV Prevention Activities_Health Department Based	93.940	6 NU62PS003654-05-08	2,008,872	1,627,774
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	6 NU62PS004024-04-05	237,208	105,186
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	6 NU62PS004024-05-04	189,661	95,324
			<b>426,869</b>	<b>200,510</b>
Assistance Programs for Chronic Disease Prevention and Control	93.945	5 NU58DP004820-04-00	482,309	86,261
Assistance Programs for Chronic Disease Prevention and Control	93.945	6 NU58DP004820-05-01	1,103	-
			<b>483,412</b>	<b>86,261</b>
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	1U01DP006241-01	143,710	94,103
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	5U01DP006241-02	11,367	-
			<b>155,077</b>	<b>94,103</b>
Block Grants for Community Mental Health Services	93.958	2B09SM010039-15	932,547	611,133
Block Grants for Community Mental Health Services	93.958	3B09SM010039-16S2	3,498,395	1,647,461
			<b>4,430,942</b>	<b>2,258,594</b>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010039-15	6,842,215	6,019,113
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010039-16	11,217,372	9,499,945
			<b>18,059,587</b>	<b>15,519,058</b>
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS004376-03-01	396,459	320,323
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	6 NH25PS004376-04-02	293,233	229,145
			<b>689,692</b>	<b>549,468</b>
Maternal and Child Health Services Block Grant to the States	93.994	6 B04MC29352-01-05	1,327,660	664,076
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28112	615,028	194,284
			<b>1,942,688</b>	<b>858,360</b>
Assisted Outpatient Treatment	93.997	1H79SM063542-01	289,461	-
<b>Total Department of Health and Human Services</b>			<b>3,281,329,154</b>	<b>217,648,948</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Social Security Administration</b>				
<b>Disability Insurance/SSI CLUSTER</b>				
Social Security_Disability Insurance	96.001	04-1504NVDI00	\$ 58,625	\$ -
Social Security_Disability Insurance	96.001	04-1604NVDI00	4,228,096	-
Social Security_Disability Insurance	96.001	04-1704NVDI00	11,497,914	-
			<b>15,784,635</b>	<b>-</b>
<b>Total Disability Insurance/SSI CLUSTER</b>			<b>15,784,635</b>	<b>-</b>
<b>Total Social Security Administration</b>			<b>15,784,635</b>	<b>-</b>
<b>Department of Homeland Security</b>				
Urban Area Security Initiative Non-Profit	97.008	EMW-2014-UA-00030-S01	3,750	-
Urban Area Security Initiative Non-Profit	97.008	EMW-2016-UA-00027-S01	75,000	75,000
			<b>78,750</b>	<b>75,000</b>
Boating Safety Financial Assistance	97.012	3316FAS150132	185,809	-
Boating Safety Financial Assistance	97.012	3317FAS170132	545,852	-
			<b>731,661</b>	<b>-</b>
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2015-GR-1004	44,754	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2016-GR-1004	22,017	-
			<b>66,771</b>	<b>-</b>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-09-NV-4202	86,051	76,080
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-09-NV-4303	132,678	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-09-NV-4307	13,169	-
			<b>231,898</b>	<b>76,080</b>
National Dam Safety Program	97.041	EMF-2016-GR-00003-S01	68,952	-
National Dam Safety Program	97.041	EMW-2014-GR-00010	3,068	-
National Dam Safety Program	97.041	EMW-2015-GR-00083-S01	16,284	-
			<b>88,304</b>	<b>-</b>
Emergency Management Performance Grants	97.042	EMF-2016-EP-00007-S01	2,019,730	1,758,298
Emergency Management Performance Grants	97.042	EMW-2014-EP-00003-S01	138,488	75,996
Emergency Management Performance Grants	97.042	EMW-2015-EP-00002-S01	2,015,427	163,120
			<b>4,173,645</b>	<b>1,997,414</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Fire Training Systems Grants	97.043	EMW-2016-GR-00006-S01	\$ 20,000	\$ -
Cooperating Technical Partners	97.045	EMF-2016-CA-00006-S01	66,082	-
Cooperating Technical Partners	97.045	EMW-2014-CA-00145-S01	23,497	-
Cooperating Technical Partners	97.045	EMW-2015-CA-00086-S01	20,747	-
Cooperating Technical Partners	97.045	EMW-2015-CA-00162-S01	64,699	-
			<b>175,025</b>	<b>-</b>
Fire Management Assistance Grant	97.046	FEMA-5034-FM-NV	558,971	-
Pre-Disaster Mitigation	97.047	EMF-2014-PC-0002	187,640	187,575
Pre-Disaster Mitigation	97.047	EMF-2015-PC-0001	386,397	369,819
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2008	340,401	339,666
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2009	61,115	12,815
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2010	58,880	33,571
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2012	1,716,088	15,329
			<b>2,750,521</b>	<b>958,775</b>
Homeland Security Grant Program	97.067	EMW-2014-SS-00117-S01	628,139	455,322
Homeland Security Grant Program	97.067	EMW-2015-SS-00025-S01	2,803,233	1,999,524
Homeland Security Grant Program	97.067	EMW-2016-SS-00025-S01	617,928	578,227
			<b>4,049,300</b>	<b>3,033,073</b>
Homeland Security Biowatch Program	97.091	2013-OH-091-000030-03	14	-
Homeland Security Biowatch Program	97.091	2013-OH-091-000030-04	1,179,940	1,169,452
			<b>1,179,954</b>	<b>1,169,452</b>
<b>Total Department of Homeland Security</b>			<b>14,104,800</b>	<b>7,309,794</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 5,359,344,667</b>	<b>\$ 811,557,623</b>

**Note 1 - Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the State of Nevada (the State) and is presented on the modified accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. The State received Federal awards directly from Federal agencies.

The Schedule is used as a managerial tool by the State Controller’s Office, primarily to monitor compliance with the Cash Management Improvement Act. As such, the Schedule separately identifies the expenditures for each Federal program at the grant award level.

The State has not elected to use the 10% de minimis cost rate.

The “Expenditures” column includes the amounts reported in the “Payments to Subrecipients” column.

The expenditures for the following programs include the dollar value of food commodities, as determined by the U.S. Department of Agriculture, distributed to eligible recipients during the year:

- National School Lunch Program (10.555)
- Commodity Supplemental Food Program (10.565)
- Child and Adult Care Food Program (10.558)
- Food Distribution Program on Indian Reservations (10.567)
- Nutrition Services Incentive Program (93.053)

**Note 2 - Unemployment Insurance Program (17.225)**

The expenditures reported on the Schedule of Expenditures of Federal Awards include both Federal funds and State funds, as required. The State funds represent the amounts expended from the Unemployment Trust Fund to pay benefits under the Federally approved State Unemployment Law. The following identifies the State and Federal portions of the expenditures reported:

State Benefits	\$ 305,310,773
Federal Benefits	4,626,836
Federal Funds - Grants	28,638,539
Total Reported	\$ 338,576,148

**Note 3 - Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**

The expenditures for this program include the cost of food vouchers in the amount of \$28,905,661.

**Note 4 - Disclosure of American Recovery and Reinvestment Act Expenditures**

As a recipient of American Recovery and Reinvestment Act (ARRA) funds, the State has agreed to separately identify the expenditures for Federal awards under ARRA on the Schedule of Expenditures of Federal Awards (SEFA) by identifying those expenditures on separate lines and by inclusion of the prefix "ARRA-" in the name. For additional transparency, the State has elected to include the suffix "A" with the Catalog of Federal Domestic Assistance number on the SEFA.



**A. Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes

Type of auditor's report issued on compliance for major programs:  
 Unmodified for all major Federal programs except for the following, which were qualified opinions:  
 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)  
 Unemployment Insurance  
 Title I Grants to Local Educational Agencies  
 Special Education Cluster  
 Rehabilitation Services Vocational Rehabilitation Grants to States  
 Foster Care Title IV-E  
 Adoption Assistance  
 Block Grants for Prevention and Treatment of Substance Abuse

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes
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**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
U.S. Department of Agriculture:	
SNAP Cluster:	
Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561

Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
U.S. Department of Defense:	
National Guard Military Operations and Maintenance (O&M) Projects	12.401
U.S. Department of Labor:	
Unemployment Insurance	17.225
U.S. Department of Transportation:	
Highway Planning and Construction Cluster:	
Highway Planning and Construction	20.205
Recreational Trails Program	20.219
U.S. Department of Education:	
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126
U.S. Department of Health and Human Services:	
TANF Cluster:	
Temporary Assistance for Needy Families (TANF)	93.558
CCDF Cluster:	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Children's Health Insurance Program (CHIP)	93.767
Medicaid Cluster:	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777
Medical Assistance Program	93.778
Block Grants for Prevention and Treatment of Substance Abuse	93.959
Dollar threshold used to distinguish between type A and type B programs:	\$16,078,034
Auditee qualified as low-risk auditee:	No

**B. Findings – Financial Statement Audit**

**2017-A Prior Period Adjustment of Payroll Expense  
Material Weakness**

*Criteria:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly calculating payroll accruals and expenditures/expenses are key components of effective internal control over financial reporting.

*Condition:* A prior period adjustment of approximately \$4,774,900 was required to correct 2016 payroll expense which was incorrectly recorded in 2017.

*Cause:* Internal controls in place did not ensure that accrued payroll at year end was calculated and reported accurately.

*Effect:* In the prior year, fund balance in the Highway Fund was overstated by approximately \$4,774,900.

*Recommendation:* We recommend the State of Nevada enhance internal controls to ensure accrued payroll is calculated and reported accurately.

*Views of Responsible Officials:* Management agrees with this finding.





**C. Findings and Questioned Costs – Major Federal Award Programs**

**2017-001: U.S. Department of Agriculture  
SNAP Cluster:  
Supplemental Nutrition Assistance Program (SNAP), CFDA 10.551  
State Administrative Matching Grants for the Supplemental Nutrition Program,  
CFDA 10.561**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.551 and CFDA 10.561 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* requires reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.

*Condition:* Expenditures reported on the SF-425 *Federal Financial Report* were not always supported by the applicable accounting records, and therefore, were not in accordance with program requirements.

*Cause:* The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure that all amounts reported to the Federal agency were supported by the applicable accounting records.

*Effect:* Inaccurate information may have been reported to the Federal agency.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of two out of four SF-425 *Federal Financial Reports* was selected for testing. The total cumulative amount of funds authorized on one of the two reports was not supported by the applicable accounting records.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division enhance internal controls to ensure all amounts reported to the Federal agency are supported by the applicable accounting records.

*Views of Responsible Officials:* The Nevada Division of Welfare and Supportive Services agrees with this finding.

**2017-002: U.S. Department of Agriculture  
Child Nutrition Cluster:  
School Breakfast Program, CFDA 10.553  
National School Lunch Program, CFDA 10.555  
Special Milk Program for Children, CFDA 10.556  
Summer Food Service Program for Children, CFDA 10.559**

**Cash Management  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects grant awards 7NV300AG3 and 7NV300AG3 201616N109947 included under the CFDA 10.555 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which define the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs. The terms of the Treasury-State Agreement specify that the National School Lunch Program use the average clearance funding technique, which requires that funds are requested and deposited in accordance with the clearance times specified in Exhibit II of the Agreement, which is two days.

*Condition:* Federal funds were not drawn using the required funding technique and in accordance with the average clearance time specified in the Agreement.

*Cause:* The Nevada Department of Agriculture (the Department) did not have internal controls to ensure that funds were drawn using the required funding technique and in accordance with the clearance time specified in the Agreement.

*Effect:* Incorrect amounts of Federal funds may be received and an interest liability could result.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of four Federal cash draws out of 16 was selected for testing. None of the Federal cash draws selected for testing were drawn using the average clearance funding technique as the clearance times ranged from six to 44 days.

*Repeat Finding from Prior Year:* Yes - prior year finding 2016-002.

*Recommendation:* We recommend the Department implement internal controls to ensure funds are drawn using the required funding technique and clearance time specified in the Agreement.

*Views of Responsible Officials:* The Nevada Department of Agriculture agrees with this finding.

**2017-003: U.S. Department of Agriculture  
Child Nutrition Cluster:  
School Breakfast Program, CFDA 10.553  
National School Lunch Program, CFDA 10.555  
Special Milk Program for Children, CFDA 10.556  
Summer Food Service Program for Children, CFDA 10.559**

**Subrecipient Monitoring  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.553, 10.555, 10.556 and 10.559 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

*Condition:* Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

*Cause:* The Nevada Department of Agriculture (the Department) did not have adequate internal controls to ensure that subawards included all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number was identified to the subrecipient at the time of disbursement.

*Effect:* Noncompliance may occur at the subrecipient level.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of seven out of 32 subrecipients was selected for testing. None of the seven subawards included all of the information required by Uniform Guidance. In addition, a nonstatistical sample of 60 payments to subrecipients was selected for testing, of which 30 payments tested did not identify the award's CFDA number at the time of disbursement.

*Repeat Finding from Prior Year:* Yes - prior year finding 2016-005.

*Recommendation:* We recommend the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

*Views of Responsible Officials:* The Nevada Department of Agriculture agrees with this finding.



**2017-004: U.S. Department of Agriculture  
Child Nutrition Cluster:  
School Breakfast Program, CFDA 10.553  
National School Lunch Program, CFDA 10.555  
Special Milk Program for Children, CFDA 10.556  
Summer Food Service Program for Children, CFDA 10.559**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.553, 10.555, 10.556 and 10.559 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements and identifies the FNS-777, *Financial Status Reports (FNS-777)*, as applicable to the Child Nutrition Cluster. Internal controls at the Nevada Department of Agriculture (the Department) require that reports are reviewed and approved by an individual independent of the preparation process prior to submission.

*Condition:* Certain reports were prepared and submitted without being reviewed and approved by an individual independent of the preparation process.

*Cause:* The Department did not follow established internal controls to ensure that reports submitted to the Federal agency were reviewed and approved by an individual independent of the preparation process.

*Effect:* Inaccurate information may be reported to the Federal agency.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of two out of eight FNS-777 reports were selected for testing. We noted both FNS-777 reports were prepared and submitted without being reviewed by an individual independent of the preparation process.

*Repeat Finding from Prior Year:* Yes – included as part of prior year finding 2016-004.

*Recommendation:* We recommend the Department follow established internal controls to ensure that all reports submitted to the Federal agency are reviewed and approved by an individual independent of the preparation process.

*Views of Responsible Officials:* The Nevada Department of Agriculture agrees with this finding.

**2017-005: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),  
CFDA 10.557**

**Cash Management  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

*Criteria:* A. The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which define the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

B. In addition, the *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The Nevada Division of Public and Behavioral Health (the Division) has instituted a policy requiring the review of draw requests by an individual independent of the preparation.

*Condition:* A. Federal funds were not drawn using the funding techniques specified in the Treasury-State Agreement.

B. Draw requests were not always reviewed by an individual independent of the preparation.

*Cause:* A. The Division did not have internal controls to ensure funds were drawn using the funding techniques specified in the Treasury-State Agreement.

B. The Division did not follow its internal control policy to have an individual independent of the preparation review all draw requests.

*Effect:* Incorrect amounts of Federal funds may be received and an interest liability could result.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 60 Federal cash draws out of 259 was selected for testing. Of this sample, 47 were not drawn using the funding techniques specified in the Treasury-State Agreement. In addition, 23 of the draw requests were not reviewed by an individual independent of the preparation.

*Repeat Finding from Prior Year:* Yes - prior year finding 2016-008.

*Recommendation:*

We recommend the Division implement internal controls to ensure funds are drawn using the funding techniques specified in the Treasury-State Agreement and follow its internal control policy to have an individual independent of the preparation review all draw requests.

*Views of Responsible  
Officials:*

The Nevada Division of Public and Behavioral Health agrees with this finding.

**2017-006: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),  
CFDA 10.557**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

The *OMB Compliance Supplement* states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the *Excluded Parties List System*, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

*Condition:* Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. Suspension and debarment verification procedures were not always performed prior to entering into covered transactions.

*Cause:* The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions and to ensure suspension and debarment verification procedures were always performed prior to entering into all covered transactions.

*Effect:* Contractors may not be aware of required terms and conditions and payments could be made to recipients who were suspended or debarred.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 60 procurement transactions out of 12,564 was selected for testing, including 15 contracts subject to Appendix II to Part 200. All 15 of the contracts were missing certain applicable provisions and no suspension and debarment verification procedures were performed for three of the 15 recipients.

*Repeat Finding from  
Prior Year:* Yes - prior year finding 2016-006 and 2016-011.

*Recommendation:*

We recommend the Division enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions and ensure suspension and debarment verification procedures are performed prior to entering into all covered transactions.

*Views of Responsible  
Officials:*

The Nevada Division of Public and Behavioral Health agrees with this finding.

**2017-007: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),  
CFDA 10.557**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* requires reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.

*Condition:* During our testing of Addendum to WIC Financial Management and Participation Report – NSA Expenditures (FNS-798A), we noted the *State Level Nutrition Education* and *State Level Breastfeeding Promotion and Support* line items were reported inaccurately, and therefore, not in accordance with program requirements.

*Cause:* The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure the FNS-798A report was reported accurately.

*Effect:* Inaccurate information was reported to the federal awarding agency.

*Questioned Costs:* None

*Context/Sampling:* No sampling was used; the entire population of one annual report was tested. The *State Level Nutrition Education* line item was understated by \$19,178 and the *State Level Breastfeeding Promotion and Support* line item was understated by \$64,935.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division enhance internal controls to ensure the FNS-798A report is reported accurately.

*Views of Responsible Officials:* The Nevada Division of Public and Behavioral Health agrees with this finding.

**2017-008: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),  
CFDA 10.557**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

- A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.
- B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. In addition, the subrecipient monitoring must ensure that the subaward is used for authorized purposes.
- C. Pass-through entities verify every subrecipient is audited as required by Uniform Guidance, issue management decisions for audit findings, as applicable, and ensure the subrecipient takes timely corrective action on all audit findings, as applicable.

*Condition:*

- A. Subawards did not include certain information required by Uniform Guidance. In addition, the CFDA number was not identified at the time of disbursement prior to April 2017.
- B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.
- C. The Nevada Division of Public and Behavioral Health (the Division) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure the subrecipient took timely corrective action on all audit findings, as applicable.

*Cause:* The Division did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the Division.

*Questioned Costs:* Undetermined

*Context/Sampling:*

- A. A nonstatistical sample of five subawards out of a population of 17 was selected for testing. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 60 payments to subrecipients out of a population of 866 and 30 of the payments did not identify the CFDA number.
- B. No sampling was used.
- C. A nonstatistical sample of five subrecipients out of a population of 17 was selected for testing. The Division did not verify that any of the subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, nor ensure subrecipients took timely corrective action on all audit findings, as applicable.

*Repeat Finding from Prior Year:* Yes - prior audit finding 2016-010.

*Recommendation:* We recommend the Division implement internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible Officials:* The Nevada Division of Public and Behavioral Health agrees with this finding.



**2017-009: U.S. Department of Defense  
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 12.401 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

The *OMB Compliance Supplement* states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the *Excluded Parties List System*, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

*Condition:* Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. Suspension and debarment verification procedures were not always performed prior to entering into covered transactions.

*Cause:* The Nevada Office of the Military (the Office) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions and to ensure suspension and debarment verification procedures were always performed prior to entering into all covered transactions.

*Effect:* Contractors may not be aware of required terms and conditions and payments could be made to recipients who were suspended or debarred.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 60 procurement transactions out of 7,342 was selected for testing, including 17 contracts subject to Appendix II to Part 200. Fifteen of the contracts were missing certain applicable provisions and no suspension and debarment verification procedures were performed for 12 of the 17 recipients.

*Repeat Finding from Prior Year:* Yes – prior year finding 2016-012.

*Recommendation:* We recommend the Office enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions and ensure suspension and debarment verification procedures are always performed prior to entering into all covered transactions.

*Views of Responsible Officials:* The Nevada Office of the Military agrees with this finding.

**2017-010: U.S. Department of Labor  
Unemployment Insurance, CFDA 17.225**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* provides that states are required to submit a quarterly report, the *Trade Act Participant Report (TAPR)*, on participant characteristics, services, benefits received, and outcomes achieved, including wage record data, on a rolling quarterly basis. Wage record data is obtained from the Wage Record Interchange System (WRIS).

*Condition:* Wage record data included on the TAPR did not agree to information obtained from the WRIS.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure that information included on the TAPR agreed to the WRIS.

*Effect:* Incorrect information may have been included on the TAPR.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of two out of four quarterly reports was selected for testing. These reports contained 984 key data elements, including 574 wage record data elements. Seven of the 574 wage record data elements tested did not agree to the WRIS.

*Repeat Finding from Prior Year:* Yes – prior year finding 2016-015.

*Recommendation:* We recommend the Department enhance internal controls to ensure that information included on the TAPRs agrees to the WRIS.

*Views of Responsible Officials:* The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-011: U.S. Department of Labor  
Unemployment Insurance, CFDA 17.225**

**Special Tests and Provisions – UI Benefit Payments  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *ET Handbook No. 395, 5th Edition, Benefit Accuracy Measurement State Operations Handbook, Chapter VII, Section 2* (Handbook) states that each case file must contain, at a minimum, a copy of all agency documents from the claimant's original claim file in addition to any documents pertaining to the Benefit Accuracy Measurement (BAM) investigation that were utilized. This includes documentation of the Occupational Code source and a copy of the department collection instrument (DCI) report.

*Condition:* BAM investigation files did not include all required documentation.

*Cause:* Established procedures were not followed and adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation (the Department) to ensure all required documents were obtained and included in the BAM investigation case files.

*Effect:* Unemployment Insurance payments made to ineligible individuals may not be identified.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 60 completed BAM cases out of a population of 916 was selected for testing. For two cases, all required documentation was not included in the case file. The first case improperly excluded the documentation of the Occupational Code source and the second case improperly excluded the DCI report.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Department follow established procedures and enhance controls to ensure that all required documents are obtained and included in the BAM investigation case files.

*Views of Responsible Officials:* The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-012: U.S. Department of Labor  
Unemployment Insurance, CFDA 17.225**

**Special Tests and Provisions – UI Program Integrity, Overpayments  
Material Weakness in Internal Control over Compliance and Material Noncompliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> references Pub. L. No. 112-40 and notes that States are prohibited from providing relief from charges to an employer's Unemployment Compensation account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.
<i>Condition:</i>	The system utilized by the Nevada Department of Employment, Training and Rehabilitation (the Department) to operate the Unemployment Insurance program, the UINV System, did not have the operational capability prior to February 2017 to ensure that the State was not relieving employers of charges when their untimely or inadequate responses caused improper payments.
<i>Cause:</i>	Prior to February 2017, modifications to the UINV System had not been implemented by the system's vendor to comply with the requirements of Pub. L. No. 112-40 referenced in the <i>OMB Compliance Supplement</i> .
<i>Effect:</i>	The State may have been relieving employers of charges when their untimely or inadequate responses resulted in overpayments.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	No sampling was used.
<i>Repeat Finding from Prior Year:</i>	Yes - prior year finding 2016-014.
<i>Recommendation:</i>	We recommend the Department ensure the modifications to the UNIV system comply with the requirements of Pub. L. No. 112-40.
<i>Views of Responsible Officials:</i>	The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-013: U.S. Department of Transportation  
Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205  
Recreational Trails Program, CFDA 20.219**

**Subrecipient Monitoring  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.205 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

*Condition:* Subawards did not include certain information required by Uniform Guidance and the CFDA number was not always identified at the time of disbursement.

*Cause:* The Nevada Department of Transportation (the Department) did not have adequate internal controls to ensure that subawards included all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number was identified to the subrecipient at the time of disbursement.

*Effect:* Noncompliance may occur at the subrecipient level.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of six out of 31 subrecipients was selected for testing. None of the six subawards included all of the information required by Uniform Guidance. In addition, we selected a nonstatistical sample of 60 payments to subrecipients out of a population of 552 and 41 of the payments did not identify the award's CFDA number.

*Repeat Finding from Prior Year:* Yes - prior audit finding 2016-017.

*Recommendation:* We recommend the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

*Views of Responsible Officials:* The Nevada Department of Transportation agrees with this finding.

**2017-014: U.S. Department of Transportation  
Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205  
Recreational Trails Program, CFDA 20.219**

**Special Tests and Provisions – Wage Rate Requirements  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.205 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* states that non-Federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act), a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR part 5, *Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction*). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

*Condition:* Certain certified payrolls were not submitted weekly as required and in certain instances, there was no documentation of timely follow up with contractors to support efforts to ensure future reports would be submitted weekly as required.

*Cause:* The Nevada Department of Transportation (the Department) did not have adequate internal controls to ensure that timely follow up with the contractor was performed when the required certified payrolls were not received weekly as required.

*Effect:* Noncompliance with the Wage Rate Requirements by a contractor or subcontractor could occur and not be detected or followed up on by the Department in a timely manner.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of five out of 10 prime contractors was selected for testing, representing 221 weekly payrolls and 22 subcontractors. Although all certified payrolls were received, 46 payrolls were not submitted timely as required. Documentation was not available to evidence follow up for one subcontractor, which represented one of the 46 payrolls that were not submitted timely.

*Repeat Finding from  
Prior Year:* Yes - prior year finding 2016-018.

*Recommendation:*

We recommend that the Department enhance internal controls to ensure that timely follow up with the contractor is performed when the required certified payrolls are not received weekly as required.

*Views of Responsible  
Officials:*

The Nevada Department of Transportation agrees with this finding.

**2017-015: U.S. Department of Education  
Title I Grants to Local Educational Agencies, CFDA 84.010**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.010 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements, and identifies the <i>State per Pupil Expenditure Report</i> as applicable to the Title I. Internal controls at the Nevada Department of Education (the Department) require that reports are correct and reviewed and approved by an individual independent of the preparation process prior to submission.
<i>Condition:</i>	A report was prepared and submitted with errors and did not have evidence of being reviewed and approved by an individual independent of the preparation process.
<i>Cause:</i>	The Department did not follow established internal controls to ensure reports submitted to the Federal agency were reviewed and approved by an individual independent of the preparation process.
<i>Effect:</i>	Inaccurate information was reported to the Federal agency. In total, the Per Pupil Expenditure was overstated by \$268.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	The <i>State per Pupil Expenditure Report</i> is an annual report and the report submitted during the year was selected for testing. We noted that the report was submitted with footing and cross-footing errors which caused the per pupil calculation to be in error.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Department follow established internal controls to ensure that all reports submitted to the Federal agency are reviewed and approved by an individual independent of the preparation process.
<i>Views of Responsible Officials:</i>	The Nevada Department of Education agrees with this finding.



**2017-016: U.S. Department of Education  
Title I Grants to Local Educational Agencies, CFDA 84.010**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.010 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

- A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.
- B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

*Condition:*

- A. Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.
- B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

*Cause:* The Department did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the Department.

*Questioned Costs:* None

*Context/Sampling:*

- A. A nonstatistical sample of four out of 18 subawards was selected for testing. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 41 payments to subrecipients out of a population of 205 and none of the payments identified the CFDA number.
- B. No sampling was used.

*Repeat Finding from Prior Year:* Yes – parts A and B of prior year finding 2016-020.

*Recommendation:* We recommend the Department enhance internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible Officials:* The Nevada Department of Education agrees with this finding.

**2017-017: U.S. Department of Education**  
**Title I Grants to Local Educational Agencies, CFDA 84.010**  
**Special Education Cluster:**  
**Special Education-Grants to States, CFDA 84.027**  
**Special Education-Preschool Grants, CFDA 84.173**

**Allowable Costs/Cost Principles**

**Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.010, 84.027, and 84.173 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, costs must be adequately documented.

*Condition:* Amounts charged to the Federal program for subrecipient payments were not always adequately documented.

*Cause:* The Nevada Department of Education (the Department) did not have adequate internal controls to ensure amounts charged to the Federal program were always adequately documented.

*Effect:* The Department could be making payments to subrecipients for unallowable costs.

*Questioned Costs:* Undetermined

*Context/Sampling:* A nonstatistical sample of 41 out of 205 payments to subrecipients was selected for testing for Title I Grants to Local Educational Agencies. The Department did not maintain adequate documentation to support the payments to subrecipients for 26 of the 41 payments tested. A nonstatistical sample of 60 out of 343 payments to subrecipients was selected for testing for the Special Education Cluster. The Department did not maintain adequate documentation to support the payments to subrecipients for 39 of the 60 payments tested.

*Repeat Finding from Prior Year:* Yes – prior year finding 2016-022.

*Recommendation:* We recommend the Department enhance internal controls to ensure amounts charged to the Federal program are adequately documented.

*Views of Responsible Officials:* The Nevada Department of Education agrees with this finding.

**2017-018: U.S. Department of Education**  
**Title I Grants to Local Educational Agencies, CFDA 84.010**  
**Special Education Cluster:**  
**Special Education-Grants to States, CFDA 84.027**  
**Special Education-Preschool Grants, CFDA 84.173**

**Cash Management**

**Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.010, 84.027 and 84.173 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which define the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

*Condition:* Adequate documentation was not always available to support compliance with the cash management requirements of the *OMB Compliance Supplement* or that funds were drawn using the funding technique specified in the Treasury-State Agreement, where applicable.

*Cause:* The Nevada Department of Education (the Department) did not have adequate internal controls to ensure adequate supporting documentation was always maintained for Federal cash draws.

*Effect:* Incorrect amounts of Federal funds may be received and an interest liability could result.

*Questioned Costs:* Undetermined

*Context/Sampling:* A nonstatistical sample of three out of 14 Federal cash draws was selected for testing for Title I Grants to Local Educational Agencies. Adequate supporting documentation was not available for any of the Federal cash draws selected for testing. A nonstatistical sample of 13 out of 64 Federal cash draws was selected for testing for the Special Education Cluster. Adequate supporting documentation was not available for eight of the 13 Federal cash draws selected for testing.

*Repeat Finding from Prior Year:* Yes – prior year finding 2016-023.

*Recommendation:*

We recommend the Department enhance internal controls to ensure adequate supporting documentation is always maintained for Federal cash draws.

*Views of Responsible  
Officials:*

The Nevada Department of Education agrees with this finding.

**2017-019: U.S. Department of Education  
Special Education Cluster:  
Special Education-Grants to States, CFDA 84.027  
Special Education-Preschool Grants, CFDA 84.173**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance**

- Grant Award Number:* Potentially affects all grant awards included under CFDA 84.027 and 84.173 on the Schedule of Expenditures of Federal Awards.
- Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:
- A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.
  - B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.
- Condition:*
- A. Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.
  - B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.
- Cause:* The Department did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.
- Effect:* Noncompliance may occur at the subrecipient level and not be detected by the Department.
- Questioned Costs:* None
- Context/Sampling:*
- A. A nonstatistical sample of four out of 20 subrecipients was selected for testing. None of the subrecipient subawards contained all the required information. In addition, we selected a nonstatistical sample of 60 payments to subrecipients out of a population of 343 and none of the payments identified the CFDA number.
  - B. No sampling was used.

*Repeat Finding from  
Prior Year:*

Yes – parts A and B of prior year finding 2016-024.

*Recommendation:*

We recommend the Department enhance internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible  
Officials:*

The Nevada Department of Education agrees with this finding.

**2017-020: U.S. Department of Education  
Rehabilitation Services Vocational Rehabilitation Grants to States, CFDA 84.126**

**Eligibility  
Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement*, Federal Regulations, and the Nevada Department of Employment, Training and Rehabilitation Participant Services Policy and Procedures Manual require that the State Vocational Rehabilitation (VR) agency meet certain eligibility requirements. These eligibility requirements include:

- A. The State VR agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for services unless certain exceptional and unforeseen circumstances are met or the State agency is exploring evidence that the individual is incapable of benefiting in terms of an employment outcome from services.
- B. Documentation of a physical or mental impairment must be in the file at the time of the eligibility determination.
- C. The financial participation form must be completed and signed by the counselor and participant prior to obtaining IPE signatures or trial work plan or postemployment plan signatures. All financial participation forms will be scanned and retained in the electronic case file and if the participant meets the financial needs requirement, the counselor must check the “meets financial needs” box in the electronic case file.

*Condition:*

- A. An eligibility determination was not always done within 60 days after the individual submitted an application for services.
- B. Documentation of a physical or mental impairment was not always included in the file at the time of the eligibility determination.
- C. Financial participation forms were not always completed and signed by the counselor and the counselor did not always check the “meets financial needs” box in the electronic case file for participants meeting the financial needs requirement.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure compliance with certain eligibility requirements.



*Effect:*

- A. Benefits may not have been provided to eligible individuals within a reasonable time.
- B. Participants may not have been eligible.
- C. Participants receiving VR services may or may not be contributing to the cost of their services, as required, and participants may not be aware of their financial contribution requirements.

*Questioned Costs:* None

*Context/Sampling:*

- A. A nonstatistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. For two of the 60 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met.
- B. A nonstatistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. For one of the 60 individuals selected for testing, documentation of a physical or mental impairment was not included in the file at the time of the eligibility determination.
- C. A nonstatistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. For 12 of the 60 individuals selected for testing, no financial participation form was completed and signed by the counselor and participant. For 27 of the 60 individuals selected for testing, the participant received SSI, SSDI, TANF, or SNAP, however, the “meets financial needs box” was not checked in the electronic case file as required.

*Repeat Finding from Prior Year:* Yes – prior year findings 2016-025 and 2016-026.

*Recommendation:* We recommend the Department enhance internal controls to ensure that eligibility determinations occur within the required time frame; to ensure required eligibility documentation is always included in the case file; and to ensure that financial needs tests are applied uniformly in accordance with its written policies.

*Views of Responsible Officials:* The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-021: U.S. Department of Education  
Rehabilitation Services, Vocational Rehabilitation Grants to States, CFDA 84.126**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance) generally permits a non-Federal entity to decide on the appropriate legal instrument needed to carry out a Federal award; however, Rehabilitation Services Vocational Rehabilitation Grants to States does not permit amounts to be paid to subrecipients under subawards.
<i>Condition:</i>	The Department of Employment, Training and Rehabilitation (the Department) entered into interlocal agreements with two school districts, assuming they were contracts. However, certain terms and conditions communicated in those interlocal agreements contained provisions that would only be applicable to subrecipients.
<i>Cause:</i>	The Department did not have adequate internal controls to ensure interlocal agreements under Rehabilitation Services Vocational Rehabilitation Grants to States contained only provisions applicable to contracts.
<i>Effect:</i>	Contractors may not be aware of required terms and conditions. Further, contractors may inappropriately account for the interlocal agreements as subawards.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of 60 procurement transactions out of 18,860 was selected for testing, including two interlocal agreements that contained certain provisions that would only be applicable to subrecipients.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Department enhance internal controls to ensure all interlocal agreements under Rehabilitation Services Vocational Rehabilitation Grants to States contain only provisions applicable to contracts.
<i>Views of Responsible Officials:</i>	The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-022: U.S. Department of Education  
Rehabilitation Services Vocational Rehabilitation Grants to States, CFDA 84.126**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

The *OMB Compliance Supplement* states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties who are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the *Excluded Parties List System*, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

*Condition:* Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. In addition, suspension and debarment verification procedures were not always performed prior to entering into covered transactions.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure contracts under Federal awards contained all the applicable provisions and to ensure suspension and debarment verification procedures were always performed prior to entering into all covered transactions.

*Effect:* Contractors may not be aware of required terms and conditions and payments could be made to recipients who were suspended or debarred.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 60 procurement transactions out of a population of 19,705 was selected for testing, including 28 contracts subject to Appendix II to Part 200, of which 11 contracts did not contain certain applicable provisions. In two of the 28 contracts, no suspension and debarment verification procedures were performed.

*Repeat Finding from  
Prior Year:*

Yes (contract provisions only) – prior year finding 2016-030.

*Recommendation:*

We recommend the Department enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions and ensure suspension and debarment verification procedures are performed prior to entering into all covered transactions.

*Views of Responsible  
Officials:*

The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-023: U.S. Department of Education  
Rehabilitation Services Vocational Rehabilitation Grants to States, CFDA 84.126**

**Special Tests and Provisions – Completion of IPEs  
Significant Deficiency in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	Title 29 U.S. <i>Code of Federal Regulations Section 722(b), Development of an Individualized Plan for Employment</i> , requires an individualized plan for employment (IPE) to be a written document, agreed to and signed by the eligible individual and the qualified vocational rehabilitation counselor, and scanned into the electronic case file.
<i>Condition:</i>	IPEs were not always scanned into the case file.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure participant IPEs were completed and maintained in accordance with federal requirements.
<i>Effect:</i>	Vocational Rehabilitation participants may not be receiving benefits consistent with their individualized plan for employment.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. Out of 60, there were only 50 applicants for which an IPE was applicable. Of the 50 IPEs tested, we noted six instances where an IPE was required and referenced in the case notes but there was no signed IPE in the case file.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Department enhance internal controls to ensure participants' IPEs are completed and maintained.
<i>Views of Responsible Officials:</i>	The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-024: U.S. Department of Education  
Rehabilitation Services Vocational Rehabilitation Grants to States, CFDA 84.126**

**Reporting  
Material Weakness in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> specifies data elements from the <i>Case Service Report</i> (RSA-911) that contain critical information. These data elements include the date of the Individualized Plan for Employment (IPE).
<i>Condition:</i>	IPE dates reported on the RSA-911 report were not supported by the Vocational Rehabilitation database, RAISON.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure that critical data elements included on the RSA-911 report, including the date of the IPE, were supported by the data and the documentation maintained in RAISON.
<i>Effect:</i>	Incorrect information may have been submitted on the RSA-911 report.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of 60 out of 2,806 individuals included on the RSA-911 report was selected for testing. Of the 60 individuals tested, we noted nine instances where the date of the IPE per the report did not match the date of the IPE per RAISON. In four of these instances, a copy of the signed IPE was not maintained in RAISON in support of the reported values.
<i>Repeat Finding from Prior Year:</i>	Yes – prior year finding 2016-029.
<i>Recommendation:</i>	We recommend the Department enhance internal controls to ensure that critical data elements included on the RSA-911 report, including the date of the IPE, are supported by the data in RAISON and that supporting documentation is always maintained in the case file.
<i>Views of Responsible Officials:</i>	The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2017-025: U.S. Department of Health and Human Services  
TANF Cluster:  
Temporary Assistance for Needy Families (TANF), CFDA 93.558**

**Eligibility  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The OMB Compliance Supplement requires States ensure participants meet eligibility requirements, maintain applications, and ensure amounts provided to recipients are calculated in accordance with program requirements.

*Condition:* Complete applications were not always obtained, nor maintained, and certain TANF assistance amounts were not calculated in accordance with program requirements.

*Cause:* The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure eligibility determinations were performed using complete and accurate information, applications were maintained, and TANF assistance amounts were calculated in accordance with program requirements.

*Effect:* Ineligible individuals may be receiving TANF assistance and eligible recipients may be paid incorrect amounts.

*Questioned Costs:* Undetermined

*Context/Sampling:* A nonstatistical sample of 60 TANF cases out of a population of 2,981 was selected for testing. One instance was noted where an individual who was receiving assistance did not complete all of the required fields on the application. Another instance was noted where the Division staff could not locate the application submitted by an individual receiving benefits and therefore it was not possible to test the eligibility of the individual. We also noted one instance where TANF assistance amounts were not calculated in accordance with program requirements.

*Repeat Finding from Prior Year:* Yes - prior audit finding 2016-033.

*Recommendation:* We recommend the Division enhance internal controls to ensure eligibility determinations are performed using complete and accurate information, applications are maintained and TANF assistance amounts are in accordance with program requirements.

*Views of Responsible Officials:* The Nevada Division of Welfare and Supportive Services agrees with this finding.

**2017-026: U.S. Department of Health and Human Services  
TANF Cluster:  
Temporary Assistance for Needy Families (TANF), CFDA 93.558**

**Procurement, Suspension, and Debarment  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

*Condition:* Certain applicable provisions described in Appendix II to Part 200 were not always included in contracts as required. This occurred with a National Association of State Procurement Officers (NASPO) contract in which Nevada relied on the lead state to draft the contract.

*Cause:* The Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure all contracts under Federal awards, including all contracts administered by a state other than Nevada, contained all applicable provisions prior to entering into contracts.

*Effect:* Contractors may not be aware of required terms and conditions.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 40 procurement transactions out of a population of 3,688 was selected for testing, including 40 contracts subject to Appendix II to Part 200. One of the contracts tested did not contain certain applicable provisions.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division enhance internal controls to ensure all contracts under Federal awards contain all applicable provisions. This may entail reviewing contracts administered by another state to ensure they contain all applicable provisions and if they do not, providing the missing provisions to the contractor.

*Views of Responsible Officials:* The Division of Welfare and Supportive Services agrees with this finding.



**2017-027: U.S. Department of Health and Human Services  
CCDF Cluster:  
Child Care and Development Block Grant, CFDA 93.575  
Child Care Mandatory and Matching Funds of the Child Care and Development  
Fund, CFDA 93.596**

**Subrecipient Monitoring  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.575 and CFDA 93.596 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

*Condition:* Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

*Cause:* The Nevada Division of Welfare and Supportive Services (Division) and the Nevada Department of Education (Department) administer this program. Neither the Division nor the Department had internal controls in place to ensure that subawards included all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number was identified to the subrecipient at the time of disbursement.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the Division and the Department.

*Questioned Costs:* None

*Context/Sampling:* This program had two subrecipients at the Division and both subawards were tested. All three subawards were selected for testing at the Department as well. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 41 out of 202 payments to subrecipients at the Division and 18 out of 68 payments at the Department and none of the payments included the CFDA number.

*Repeat Finding from Prior Year:* Yes - prior audit finding 2016-035.

*Recommendation:* We recommend the Division and the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

*Views of Responsible  
Officials:*

The Nevada Division of Welfare and Supportive Services and the Nevada Department of Education agree with this finding.

**2017-028: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658**

**Allowable Costs/Cost Principles  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* provides that funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies.

*Condition:* Duplicate payments were made to certain providers.

*Cause:* The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure that foster care providers did not receive duplicate payments.

*Effect:* Unallowable costs were charged to the Federal program.

*Questioned Costs:* Undetermined

*Context/Sampling:* We selected a nonstatistical sample of 60 providers, which represented approximately 700 months of service. We noted ten duplicate payments to nine providers. These duplicate payments represented 19 days of service.

*Repeat Finding from Prior Year:* Yes - prior year finding 2016-036.

*Recommendation:* We recommend the Division enhance internal controls to ensure foster care providers do not receive duplicate payments.

*Views of Responsible Officials:* The Nevada Division of Child and Family Services agrees with this finding.

**2017-029: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* requires reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.

*Condition:* During our testing of Title IV-E Programs Quarterly Financial Reports (CB-496), we noted the number of children reported for *Title IV-E Maintenance Assistance Payments* was reported inaccurately, and, therefore, was not in accordance with program requirements.

*Cause:* The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure CB-496 reports were reported accurately.

*Effect:* Inaccurate information was reported to the Federal awarding agency.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of two CB-496 reports out of four was selected for testing. The number of children reported on the March 31, 2017 CB-496 was originally reported as 1,998 and should have been reported as 1,954.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division enhance internal controls to ensure CB-496 reports are reported accurately.

*Views of Responsible Officials:* The Nevada Division of Child and Family Services agrees with this finding.

**2017-030: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Eligibility  
Significant Deficiency in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658 and CFDA 93.659 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. To ensure compliance with this requirement, the Nevada Division of Child and Family Services has instituted a policy requiring an individual independent of the eligibility determination review the determination.
<i>Condition:</i>	While no instances of noncompliance were noted, there was no discernible evidence that some eligibility determinations were reviewed by an individual independent of the determination.
<i>Cause:</i>	The Nevada Division of Child and Family Services (the Division) did not follow its internal control policy to have an individual independent of the eligibility determination review all eligibility determinations.
<i>Effect:</i>	Inaccurate eligibility determinations may occur, which could lead to unallowable costs being charged to the program.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	Nonstatistical samples of 60 out of 265 eligibility determinations in Foster Care and 15 out of 96 eligibility determinations in Adoption Assistance were selected for testing. Of these samples, one of the Foster Care and five of the Adoption Assistance determinations did not have discernible evidence of review by an individual independent of the eligibility determination.
<i>Repeat Finding from Prior Year:</i>	Yes – prior year finding 2016-039.
<i>Recommendation:</i>	We recommend the Division follow its own internal control policy to have an individual independent of the eligibility determination review all eligibility determinations.
<i>Views of Responsible Officials:</i>	The Nevada Division of Child and Family Services agrees with this finding.

**2017-031: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.658 and CFDA 93.659 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

- A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award’s CFDA number is identified to the subrecipient at the time of disbursement.
- B. Pass-through entities evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.
- C. Pass-through entities issue management decisions for audit findings pertaining to the Federal award provided to the subrecipient.

*Condition:*

- A. Subawards were not issued and the information required by Uniform Guidance was not communicated. In addition, the CFDA number was not identified to the subrecipient at the time of disbursement.
- B. An evaluation of each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.
- C. A management decision was not issued.

*Cause:* The Nevada Division of Child and Family Services (the Division) did not have internal controls to ensure compliance with subrecipient monitoring requirements.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the Division.

*Questioned Costs:* None

*Context/Sampling:*

- A. The entire population of two subrecipients was tested. In addition, we selected a nonstatistical sample of five payments to subrecipients out of a population of 25 and none of the payments identified the CFDA number.

B. No sampling was used.

C. The entire population of two subrecipients was tested. One of the subrecipients had two findings in relation to Adoption Assistance and no management decisions were issued.

*Repeat Finding from  
Prior Year:*

Yes – prior year finding 2016-041.

*Recommendation:*

We recommend the Division implement internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible  
Officials:*

The Nevada Division of Child and Family Services agrees with this finding.

**2017-032: U.S. Department of Health and Human Services  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)  
Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Eligibility  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.778 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* requires the State to determine eligibility in accordance with the eligibility requirements defined in the approved State plan and states that the auditor should test eligibility determinations based on factors other than Modified Adjusted Gross Income, i.e. Aged, Blind and Disabled (MAABD). The State plan describes certain aid categories, including the eligibility criteria and potential benefits allowed under the aid categories.

*Condition:* An individual was determined eligible but placed in an incorrect aid category.

*Cause:* The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure that individuals' aid categories were appropriately updated to reflect changes in age and income.

*Effect:* Individuals may receive benefits that they are not entitled to or not receive benefits for which they are eligible.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 60 out of 19,224 individuals determined to be MAABD eligible during the fiscal year was selected. One of the 60 individuals was classified in the incorrect aid category for a period of time during the fiscal year.

*Repeat Finding from Prior Year:* Yes - prior year finding 2016-048.

*Recommendation:* We recommend the Division enhance internal controls to ensure that individuals' aid categories are appropriately updated timely to reflect changes in age and income.

*Views of Responsible Officials:* The Nevada Division of Welfare and Supportive Services agrees with this finding.



**2017-033: U.S. Department of Health and Human Services  
Children’s Health Insurance Program (CHIP), CFDA 93.767  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)  
Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Allowable Costs/Cost Principles  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.767 and CFDA 93.778 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* provides that costs must be adequately documented.

*Condition:* Support could not be provided for pharmaceutical claims to verify that the amount paid was correct.

*Cause:* The Nevada Division of Health Care Financing and Policy (the Division) did not have adequate internal controls to ensure costs paid for pharmaceutical claims were adequately supported.

*Effect:* The amounts paid for pharmaceutical claims may not have been correct.

*Questioned Costs:* Undetermined

*Context/Sampling:* A nonstatistical sample of 40 out of 180,749 payments was selected for testing under the Medicaid Cluster and a nonstatistical sample of 40 out of approximately 12,994 payments was selected for testing under CHIP. The samples included three pharmaceutical claims for the Medicaid Cluster and one pharmaceutical claim for CHIP. Support was not provided for any of the pharmaceutical claims.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division enhance internal controls to ensure supporting the amounts paid for pharmaceutical claims are adequately supported.

*Views of Responsible Officials:* The Nevada Division of Health Care Financing and Policy agrees with this finding.

**2017-034: U.S. Department of Health and Human Services  
Children’s Health Insurance Program (CHIP), CFDA 93.767  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)  
Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Reporting  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.767 and CFDA 93.778 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Compliance Supplement* requires that reports submitted to the Federal awarding agency include all activity of the reporting period are supported by underlying accounting information and are presented in accordance with program requirements.

*Condition:* Amounts reported on the *Quarterly Statement of Expenditures for the Medical Assistance Program (CMS-64)* and the *Quarterly Children’s Health Insurance Program Statement of Expenditures for Title XXI (CMS-21)* were not supported by the underlying accounting information and therefore, were not reported in accordance with program requirements. The CMS-21 included amounts from the previous quarter in error.

*Cause:* The Nevada Division of Health Care Financing and Policy (the Division) did not have adequate internal controls to ensure CMS-64 and CMS-21 reports were reported accurately.

*Effect:* Inaccurate information was reported to the federal awarding agency.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of one CMS-64 report out of four was selected for testing. The following variances were noted on the September 30, 2016 CMS-64 report (Total Computable Column):

- Lines 7A1 – 7A6 (in total) were overstated by \$1,437,973
- Lines 9A – 9B (in total) were overstated by \$10,099
- Line 10 was overstated by \$130,269
- Line 13 was understated by \$171
- Line 15 was overstated by \$3,983
- Lines 17A, 17B, 17C1, and 17D (in total) were overstated by \$9,205,484
- Line 28 was understated by \$77,317
- Line 29 was overstated by \$72,317
- Line 33 was understated by \$471
- Line 49 was overstated by \$30,870

A nonstatistical sample of one CMS-21 report out of four was selected for testing. The following variances were noted on the September 30, 2016 CMS-21 report (Total Computable Column):

Line 1B was overstated by \$19,772  
Line 1D was overstated by \$62,956  
Line 33 was understated by \$4,950

*Repeat Finding from  
Prior Year:*

No

*Recommendation:*

We recommend the Division enhance internal controls to ensure CMS-64 and CMS-21 reports are reported accurately.

*Views of Responsible  
Officials:*

The Nevada Division of Health Care Financing and Policy agrees with this finding.

**2017-035: U.S. Department of Health and Human Services  
Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.959 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

The *OMB Compliance Supplement* states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the *Excluded Parties List System*, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

*Condition:* Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. Suspension and debarment verification procedures were not always performed prior to entering into covered transactions.

*Cause:* The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions and to ensure suspension and debarment verification procedures were always performed prior to entering into all covered transactions.

*Effect:* Contractors may not be aware of required terms and conditions and payments could be made to recipients who were suspended or debarred.

*Questioned Costs:* None

*Context/Sampling:* A nonstatistical sample of 40 procurement transactions out of 1,388 was selected for testing, including five contracts subject to Appendix II to Part 200. All five of the contracts were missing certain applicable provisions and no suspension and debarment verification procedures were performed for two of the five recipients.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions and ensure suspension and debarment verification procedures are always performed prior to entering into all covered transactions.

*Views of Responsible Officials:* The Nevada Division of Public and Behavioral Health agrees with this finding.

**2017-036: U.S. Department of Health and Human Services  
Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959**

**Other  
Significant Deficiency in Internal Control over Compliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.959 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires that pass-through entities must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by its financial statements that includes the total Federal awards expended, provides the total Federal awards expended for each individual Federal program, and includes the total amount provided to subrecipients from each Federal program.

*Condition:* Amounts reported on the SEFA did not properly reflect amounts provided to subrecipients.

*Cause:* The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure amounts provided to subrecipients were reported accurately on the SEFA.

*Effect:* Payments to subrecipients initially reported on the SEFA were overstated by \$1,115,769, which required correction on the final SEFA.

*Questioned Costs:* None

*Context/Sampling:* No sampling was used; all program expenditures on the SEFA were reconciled to the State's accounting records.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division enhance internal controls to ensure amounts provided to subrecipients are reported accurately on the SEFA.

*Views of Responsible Officials:* The Nevada Division of Public and Behavioral Health agrees with this finding.

**2017-037: U.S. Department of Health and Human Services  
Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.959 on the Schedule of Expenditures of Federal Awards.

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

- A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.
- B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. In addition, the subrecipient monitoring must ensure that the subaward is used for authorized purposes.
- C. Pass-through entities verify every subrecipient is audited as required by Uniform Guidance, issue management decisions for audit findings, as applicable, and ensure the subrecipient takes timely corrective action on all audit findings, as applicable.

*Condition:*

- A. Subawards did not include certain information required by Uniform Guidance. In addition, the CFDA number was not identified at the time of disbursement prior to April 2017.
- B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed. In addition, monitoring activities were not performed to ensure the subaward was used for authorized purposes.
- C. The Nevada Division of Public and Behavioral Health (the Division) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure the subrecipient took timely corrective action on all audit findings, as applicable.

*Cause:* The Division did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the Division.

*Questioned Costs:* Undetermined

*Context/Sampling:*

- A. A nonstatistical sample of 17 subawards out of a population of 110 was selected for testing. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 60 pass-through payments to subrecipients and 47 of the payments did not identify the CFDA number. In addition, one of the payments indicated an inaccurate CFDA number.
- B. No sampling was used for risk assessment. In addition, a nonstatistical sample of eight subrecipients out of a population of 45 was selected for testing. The Division did not adequately monitor the activities of seven of the subrecipients to ensure the subaward was used for authorized purposes.
- C. A nonstatistical sample of eight subrecipients out of a population of 45 was selected for testing. The Division did not verify that any of the subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure subrecipients took timely corrective action on all audit findings, as applicable.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend the Division implement internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible Officials:* The Nevada Division of Public and Behavioral Health agrees with this finding.

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Management's Response to Auditor's Findings:  
Prior Audit Findings and Corrective Action Plans  
June 30, 2017

Prepared by Management of  
**Nevada State Agencies**

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**OFFICE OF THE  
STATE CONTROLLER**

November 8, 2017

Eide Bailly LLP  
5441 Kietzke Lane  
Reno, NV 89511

Dear Sirs:

In accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), please accept the following Summary Schedule of Prior Audit Findings for the year ended June 30, 2017.

**2015-002**                    **U.S. Department of Agriculture**  
**Child Nutrition Cluster:**  
**School Breakfast Program, CFDA 10.553**  
**National School Lunch Program, CFDA 10.555**  
**Special Milk Program for Children, CFDA 10.556**  
**Summer Food Service Program for Children, CFDA 10.559**

**Cash Management**  
**Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:*    2015

*Finding Summary:*    The OMB Circular A-133 Compliance Supplement requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing of Federal cash draws, we noted that procedures at the Nevada Department of Agriculture require that draws are reviewed and approved by an individual independent of the preparation process prior to submission for processing. As part of our audit procedures, we examined the transaction detail and supporting documentation for five draws out of a population of 29 to ensure that all required documentation was included and approvals were in place. Out of the five draws tested, the supporting documentation for one draw was missing from agency records, and three of the four remaining draws lacked documentation of required approvals.

*State's Response:* The Department has updated policies and procedures for Federal cash draws including having our Administrative Services Officer III and or the Fiscal Administrator sign off on all federal draws. In addition, we have established required documentation for each draw. Lastly, the Department updated policies and procedures to make sure both State and Federal record retention requirements are followed. Completion Date: February 27, 2017.

*Status:* Corrected.

**2015-005 U.S. Department of Labor  
Unemployment Insurance, CFDA 17.225**

**Special Tests and Provisions – UI Program Integrity, Overpayments  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year  
Finding Occurred:* 2014

*Finding Summary:* The OMB Circular A-133 Compliance Supplement references Pub. L. No. 112-40 and notes that States are prohibited from providing relief from charges to an employer's Unemployment Compensation account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

As part of our testing over the Unemployment Insurance program, we performed procedures to determine whether the State was properly identifying and handling overpayments, including not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Based on our procedures, we noted that the system implemented during fiscal year 2014 by the Department of Employment, Training and Rehabilitation to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.

*State's Response:* As of March 8, 2018, Nevada DETR's response is the same. The corrective action was "completed" on February 8, 2017 as discussed with the auditors and Nevada DETR is in full compliance with Pub. L. No. 112-40. Work on the UInv Change Request (CR) #14 was formally completed through the final testing /acceptance phase and the system modifications were then placed into production as of February 8, 2017. DETR now has the operational capability to ensure that the State is no longer relieving employers of charges when their untimely or inadequate responses caused improper payments.

In response to the audit, the State of Nevada concurred with the finding and provided a timeline of when implementation was completed for the UInv system. After completion of a comprehensive UAT regimen, the Relief of Charging functionality was promoted to UNIV production on February 8, 2017. The functionality is now operational and UI business units to include Benefit Claims, Adjudication, Rulings and Appeals, have been provided with end user instruction.

*Status:* Not corrected.

**2015-006**                    **U.S. Department of Education**  
**Rehabilitation Services Vocational Rehabilitation Grants to States,**  
**CFDA 84.126**

**Eligibility**  
**Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2014

*Finding Summary:* The *OMB Circular A-133 Compliance Supplement* requires that the State Vocational Rehabilitation agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or

The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

As part of our testing, we selected a sample of 60 individuals to verify their eligibility for Vocational Rehabilitation services and noted two exceptions. For one of the 60 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met. For another one of the 60 individuals selected for testing, adequate documentation was not maintained to determine whether the individual was determined to be eligible for services within a reasonable time, not to exceed 60 days.

*State's Response:*

As of March 8, 2018, Nevada DETR's responses are as follows:

- All staff will be directed to continue to monitor Aging Reports generated by the case management system to track eligibility determinations and due dates for compliance.
- Training on eligibility timelines and lawful expectations will be provided by our internal Training Officer on 4/11/18 & 4/17/18 statewide.
- Internal Training Officer will also provide training to staff throughout the year on process, procedure and compliance to improve program performance in this area.
- QA team will provide targeted technical assistance with counseling teams for review of cases and review of policy expectations regarding eligibility.
- Update of case management system (see updated timeline for implementation) which will have integrated internal controls assisting the counselor in making timely eligibility determinations.
- Requirement of District Managers to submit to Chief weekly stats of those cases identified as pending 45 days to eligibility and those cases that will be given an extension with associated justification.
- Zero tolerance for any cases found to be out of compliance. Responsible staff will receive progressive discipline.

Administration remains committed to stricter consequences for non-compliance. In this past year, numerous Letters of Instruction have been delivered for every late eligibility identified. As a best practice, supervisors and Rehabilitation Counselor IIIs will be required to run the Aging Reports in our case management system every week to monitor and address with staff, as needed, regarding required timeframes. Their documentation of progress for compliance and any late action will be reported directly to the Bureau Chief for progressive disciplinary action. Lastly, with the Spring 2019 implementation of the new AWARE case management system, there will be increased automatic internal prompts for Certificate of Eligibility completion and compliance.

Also, please see revised Alliance Aware Case Management System (RAISON) Upgrade timeline:

9/12/2017: Contract approved.

10/01/2017 – 3/07/2018: Planning – Project kick-off began and included assessments, recommendations, upgrade implementation strategies and application acceptance criteria. Additionally, the development of multiple plans including integrated project management, test management, end user training and Go-Live.

11/15/2017 – 10/05/2018: Data Conversion – Data mapping and conversion of organizational, case, financial and attachment data.

11/01/2017 – 3/01/2018: Adaptation – Organization setup and related knowledge transfer for services, case types and financial. Multiple module adaptations including core, inventory, SSR and QA.

1/02/2018 – 10/08/2018: Customizations – Conceptual design, development, release and testing.

2/01/2018 – 10/01/2018: Interfaces – Analysis, design, development, test, release and optimization of multiple system interfaces including DFS payment export, warrant, vendor, EmployNV, extensions and Social Security Reimbursement (SSR).

11/27/2018 – 11/29/2018: Train The Trainer – Northern Nevada.

12/03/2018 – 12/06/2018: Train The Trainer – Southern Nevada.

2/04/2019 – 2/15/2019: Corrections and adjustments will be made and the training materials revised.

2/04/2019 – 2/22/2019: Data conversion will be up to 99% correct.

2/18/2019: Assistive Technology training.

2/19/2019 – 2/22/2019: End User Training – Southern Nevada.

2/20/2019: Corrections will be released.

2/20/2019 – 2/26/2019: The division will retest data, customizations, reports, conversions and adaptations.

2/25/2019 – 3/01/2019: Final data conversion build for Go-Live.

2/26/2019 – 3/01/2019: End User Training – Northern Nevada.

2/26/2019: Go-Live decision (go/no go).

3/01/2019: No new entry in existing system (RAISON).

3/07/2019: Pilot sites Go-Live.

3/11/2019: Aware Go-Live.

3/31/2019: Warranty begins.

6/30/2019: Project closes.

#### Nevada DETR's Response – May 16, 2016.

If specific training was performed as part of our corrective action, an agenda needs to be provided. The agenda for each district's staff meeting is attached, (northern district-4/13/16 and southern district-3/17/16).

Training was provided to counselors, technicians and supervisors on eligibility determination requirements and processes.

Were there any updates to the guidance received from the Nevada Deputy Attorney General? Yes, our Nevada Deputy Attorney General responded to the agency regarding this issue. The following is his email response, “Yes, I am recommending that the same rules govern the extension for eligibility that governs the extension of an IPE. A scan or fax of both the IPE extension form and the eligibility determination form signed by the client are fine. When I read the applicable sections of 29 USC Section 722, BVR needs to have the applicants or clients agreement for the extensions, whether for the eligibility determination or for the IPE extension. Since that is the case, technically BVR wouldn’t need the applicant or client to sign off on the extension form and fax or scan and email the form back to show his or her agreement and they can simply say they agree with the particular extension. However, I would recommend that the applicant or client actually sign and the form itself and then send it back to BVR, either by scan or fax or mail.” BVR has provided this instruction to our staff. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email from the client stating that they are in agreement with the extension and the dates would be allowable in exceptional circumstances. While this practice is within compliance it should not be the standard practice. This procedure should expedite the extension process allowing the counselor to be in compliance with the eligibility determination process.

Were there any updates to the RAISON system changes from the DETR IT efforts? There has not been any RAISON system changes at this time related to this finding. However, if the RAISON system upgrade is approved then we anticipate that the new system will have some additional prompts in place to assist the counselors in making timely eligibility determinations.

With respect to procuring and implementing a new case management system, is there a timeline for this effort?

Alliance Aware Case Management System (RAISON) Upgrade Timeline:

- |           |  |
|-----------|--|
| 4/14/2016 | In collaboration with the Department’s Information Development and Processing (IDP) Division, the finalized the Technology Investment Request (TIR) was submitted to the state Department of Administration, Enterprise IT Services (EITS) Division for consideration. |
| 6/27/2016 | EITS will return the TIR to IDP and will forward it to their Strategic Planning Committee for further consideration.   |
| 7/18/2016 | IDP and Rehabilitation Division Administration will present the TIR to the EITS Strategic Planning Committee.  |



7/25/2016	EITS Strategic Planning Committee will make their recommendation to the Governor's Finance Office for the purposes of biennial budget planning.
8/01/2016	If approved, the Rehabilitation Division will add this budget enhancement to the Vocational Rehabilitation budget for state fiscal years 2018 and 2019. Agency requested budgets are due to the Governor's office by this date.
1/15/2017	The Governor's requested budgets are presented and made public.
2/06/2017	Nevada's biennial legislative session begins. If the enhancement request for the upgrade was included in the Governor's requested budgets, then the Rehabilitation Division will present testimony to the legislature on this request, and answer any questions.
6/05/2017	Legislative session ends. The Rehabilitation Division will know at least by this date, if the upgrade was approved.
8/2017	If approved, the project initiation and planning will begin (through 10/2017).
09/2017	Product adaptation and design will begin (through 2/2018).
10/2017	Data conversion will begin (through 10/2018).
11/2018	Testing will begin (through 2/2019).
03/2019	Implementation to begin (through 5/2019).
06/2019	Warranty & stabilization period, through project completion in 9/2019.

Please describe the specific supervisory review efforts that will be part of the corrective actions. Rehab. Supervisors and Rehab. Counselors IIIs review a minimum of 10 cases per year for each Rehab. Counselor within their chain of command. At time of review any exceptions to the eligibility determination process would be documented and then reviewed with the counselor. As a best practice, supervisors review the Aging Report in RAISON weekly to identify any cases that are nearing the 60 day deadline. This information is shared with counselors to prompt them to take action. Our agency's goal is to accomplish 100% compliance in this element. Therefore, the administration implemented stricter consequences when eligibility determinations are not made on time. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for this element and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email was also posted on our SharePoint.

Please provide an Aging Report from RAISON. An Aging Report from RAISON is attached. Application-E indicates that an extension form has been done, and Application-T indicates that the client is participating in a Trial Work Experience.

For this finding, please indicate the specific QA monitoring effort provided or to be provided. The QA team currently conducts a case review and addresses the issue of Eligibility in 60 days three times per year; Eligibility targeted review each January, (1 case reviewed per caseload), District Wide case review each spring, (2 cases reviewed per caseload) and Statewide case review each fall, (2 cases reviewed per caseload).

Updated U.S. DOE-RSA Response as of July 21, 2016

RSA considers this finding closed based on the actions taken by DETR and the lack of questioned costs.

*Status:* Not corrected.

**2015-007** **U.S. Department of Education**  
**Rehabilitation Services\_Vocational Rehabilitation Grants to States,**  
**CFDA 84.126**

**Eligibility**  
**Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:* The *OMB Circular A-133 Compliance Supplement* provides that the State may choose to consider the financial needs of eligible individuals, or individuals who are receiving services during a trial work experience or an extended evaluation, for the purpose of determining the extent of their participation in the cost of Vocation Rehabilitation (VR) services. If the State indicates in its State Plan that it will use financial needs tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances.

The Nevada Department of Employment, Training and Rehabilitation Participant Services Policy and Procedures Manual (the Manual) provides that participants, who are not otherwise exempt, are expected to participate in the cost of Individualized Plan for Employment services and non-assessment services provided as part of Trial Work Experience(s) Plans, Extended Evaluation Plans or Post Employment Plans. During intake, it must be determined if the participant meets the financial needs exemption guidelines. If so, the “Meets Financial Needs” box in the Rehabilitation Automated Information System of Nevada (RAISON) must be checked.

As part of our testing over eligibility, we noted that five out of 23 participants met the financial needs exemption guidelines outlined in the Manual. However, the “Meets Financial Needs” box in RAISON was improperly checked “No” for each of the five participants.

*State's Response:*

As of March 8, 2018, Nevada DETR's responses are as follows:

- All financial participation screens were completed in the electronic case management system. However, staff have been remiss on completing/capturing the physical form with signatures.
- Training on allowable accurate completion of financial participation forms, including the importance of scanning completed forms into the case management system, will be provided by our internal Training Officer on 4/11/18 & 4/17/18 statewide.
- Internal Training Officer will also provide training to staff throughout the year on process, procedure and compliance to improve program performance in this area.
- QA team to provide targeted technical assistance with counseling teams for review of cases and review of policy expectations regarding documentation of financial participation forms per the federal regulations.
- Effective 11/1/2017 VR amended our Policy and Procedures Manual, (Section 7 page 4-step 2.b.). As a result of the change, Rehabilitation Counselors will no longer need to check the "meets financial needs box." This specific, and internally imposed inclusion of the "meets financial needs box," is not a federal requirement and is not found in the federal regulations. Therefore, it has been removed from our Policy.

Nevada DETR's Response – May 16, 2016.

If specific training was performed as part of our corrective action, an agenda needs to be provided. The agenda for each district's staff meeting are attached, (northern district-4/13/16 and southern district-3/17/16). Training was provided to counselors, technicians and supervisors on requirements to check the "Meets Financial Needs" box in RAISON. Guidance was provided to staff regarding the importance of accurately reporting the financial needs exemption guidelines as outlined in the DETR Participant Services Policy and Procedures Manual.

Were there any updates to the guidance received from the Nevada Deputy Attorney General? No guidance was requested regarding this finding.

Were there any updates to the RAISON system changes from the DETR IT efforts? There have not been any RAISON system changes made at this time regarding this finding. However, administration has requested a RAISON Enhancement to address this finding. At this time RAISON Enhancement Number (3) has been created; create a new pop-up reminder. When the counselors enters and saves a Plan date, this message should show up: Counselors, please go to the Financial Tab of the Client's Application and check the "Meets Financial Needs" box. The severity of this project is critical and it was assigned to the programmer on 4/28/16. The project timeline to be addressed is within the next 3-6 months.

With respect to procuring and implementing a new case management system, is there a timeline for this effort? This question has been addressed in Finding 2015-006.

Please describe the specific supervisory review efforts that will be part of the corrective actions. Rehab. Supervisors and Rehab. Counselors IIIs review a minimum of 10 cases per year for each Rehab. Counselor within their chain of command. At time of review any exceptions to checking the box for “Meets Financial Needs” would be documented and then reviewed with the counselor.

Please provide an Aging Report from RAISON. There is no Aging Report that addresses or tracks whether the “Meets Financial Needs” box is checked or not.

For this finding, please indicate the specific QA monitoring effort provided or to be provided. The QA team currently conducts a case review and addresses the issue of Reporting and Tracking Financial Participation three times per year; Case Documentation and Case and Financial Management Review each July, (1 case reviewed per caseload), District Wide case review each spring, (2 cases reviewed per caseload) and Statewide case review each fall, (2 cases reviewed per caseload).

Updated U.S. DOE-RSA Response as of July 21, 2016

RSA considers this finding closed based on the actions taken by DETR and the lack of questioned costs.

*Status:* Not corrected.

**2015-008 U.S. Department of Education  
Rehabilitation Services Vocational Rehabilitation Grants to States,  
CFDA 84.126**

**Special Tests and Provisions – Completion of IPEs  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:* The *OMB Circular A-133 Compliance Supplement* requires that when an Individualized Plan for Employment (IPE) is required for the provision of Vocational Rehabilitation services under Section 103(a) of the Rehabilitation Act of 1973, as amended, it must be done as soon as possible, but not later than 90 days after the date of determination of eligibility by the State Vocational Rehabilitation agency, unless the State Vocational Rehabilitation agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed.

As part of our testing, we selected a sample of individuals to verify that IPEs were performed timely as required by the *OMB Circular A-133 Compliance Supplement*.

Out of five IPEs tested, three IPEs were performed later than 90 days after the date of determination of eligibility and there was no evidence that an extension of the deadline was agreed upon by the Vocational Rehabilitation agency and the eligible individual.

*State's Response:*

Nevada DETR's Response – May 16, 2016.

If specific training was performed as part of our corrective action, an agenda needs to be provided. The agenda for each district's staff meeting is attached, (northern district-4/13/16 and southern district-3/17/16). Training was provided to counselors, technicians and supervisors on the requirements and the procedures to complete IPEs within the 90 day timeframe per federal regulations.

Were there any updates to the guidance received from the Nevada Deputy Attorney General? Yes, see response to question # 2 under Finding 2015-006

Were there any updates to the RAISON system changes performed by the DETR IT Unit? There have not been any RAISON system changes at this time. However, if the RAISON system upgrade is approved then we anticipate that the new system will have some additional prompts in place to assist the counselors in completing the IPE in a timely manner in compliance with the federal regulations.

With respect to procuring and implementing a new case management system, is there a timeline for this effort, if applicable? This question has been addressed in Finding 2015-006.

Please describe the specific supervisory review efforts that will be part of the corrective actions. Rehab. Supervisors and Rehab. Counselors IIIs review a minimum of 10 cases per year for each Rehab. Counselor within their chain of command. At time of review any exceptions to the completion of IPEs within the 90 day timeline process would be documented and then reviewed with the counselor. As a best practice, supervisors review the Aging Report in RAISON weekly to identify any cases that are nearing the 90 day deadline. This information is shared with counselors to prompt them to take action. Our agency goal is to accomplish 100% compliance in this element. Therefore, the administration implemented stricter consequences when IPEs are not completed within this timeframe. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the expectation for this element and the requirements of compliance. Consequences for not following the process or meeting

compliance were outlined in this email. The email was also posted on our SharePoint.

Please provide an Aging Report from the RAISON system. An Aging Report from RAISON is attached. The cases identified on the Aging Report past 90 days contain documentation in the case file granting permission to extend the IPE past the 90 day mark.

For this finding, please indicate the specific QA monitoring efforts provided or to be provided. The QA team currently conducts a case review and addresses the issue of completing IPE within 90 days three times per year; Assessment of Rehabilitation Needs (AVRN/ IPE targeted review each March, (1 case reviewed per caseload), District Wide case review each spring, (2 cases reviewed per caseload) and Statewide case review each fall, (2 cases reviewed per caseload).

Updated U.S. DOE-RSA Response as of July 21, 2016.

RSA considers this finding closed based on the actions taken by DETR and the lack of questioned costs.

*Status:* Not corrected.

**2015-011**

**U.S. Department of Transportation  
Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205  
Recreational Trails Program, CFDA 20.219**

**Special Tests and Provisions – Wage Rate Requirements  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2009

*Finding Summary:*

The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities include in their construction contracts a requirement that the contractor complies with the requirements of the Department of Labor regulations regarding Wage Rate Requirements. This includes a requirement for the contractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Wage Rate Requirements and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel for four prime contractors and their subcontractors, which totaled 203 weekly payrolls. Although the certified weekly payrolls were received, 44 weekly payrolls were submitted more than one week after the end of the weekly payroll. For the payrolls that

were submitted later than one week, there was no documentation available of communication with the contractors to support efforts to ensure future reports would be submitted timely.

*State's Response:*

On February 15, 2017, the Department of Transportation revised Policy Memo 15-01 relative to certified payroll due date. Payrolls and non-performance payrolls must be entered into LCPtracker within fourteen (14) calendar days of the week ending date. No additional calendar days are allowed for payrolls with week ending dates falling on Saturday, Sunday or a holiday.

This change is reflected in the 2017 Certified Payroll and Compliance Manual, which supersedes the 2015 and 2016 editions.

This change was also reflected in two Contractor Bulletins (February 22, 2017 and March 15, 2017).

Statewide training was conducted in April 2017 for NDOT, contractor and consultant personnel.

Resident Engineers review payrolls in LCPtracker on a weekly basis and notify the contractor in writing of late or missing payrolls. Contract Compliance also conduct monthly reviews for late payrolls and confirms that the Resident Engineer has sent a letter to the contractor.

Since the audit finding and implementation of the new payroll requirements, NDOT has seen considerable improvement in weekly submission of certified payrolls. This a high priority and NDOT is committed to working closely with contractors and providing additional training as needed to ensure payrolls will continue to be submitted in a timely manner.

On September 18, 2017, NDOT hired two temporary employees to perform an internal audit verifying certified payrolls are being submitted timely and to provide additional training as required.

*Status:*

Not corrected.

**2015-012**

**U.S. Department of Transportation  
Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205  
Recreational Trails Program, CFDA 20.219**

**Special Tests and Provisions - Quality Assurance Program  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2010

*Finding Summary:* The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State Department of Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Our procedures included reviewing the Nevada Department of Transportation's Acceptance Testing Frequency Report for each project, which serves to document the number of tests required and performed, the results of the tests, and the related documentation of test results to verify that tests were being performed in accordance with the quality assurance program. Out of 19 Federally funded construction projects completed during the year, four were selected for testing. For three of the projects tested, 3466, 3518, and 3526, not all of the required tests were performed. The Acceptance Test Frequency report could not be located for the remaining project selected for testing, project 3421.

*State's Response:* The Construction Division is adopting the performance measure approach to determine a satisfactory acceptance level for testing frequency. Policies and Procedures for contract administration are set and defined by the Construction Division's Construction Manual. The Construction Manual has been overhauled and now includes the appropriate language to address testing frequencies:

“Performance Measures. The Construction Division is responsible for reporting performance on construction contracts in the following areas:

Budget: Projects completed within 10 percent of original programmed budget

Contract Modifications: Projects completed with cost increase of less than 3 percent in Contract Modifications

Schedule: Projects completed within 10 percent of original assigned working days

Construction Engineering: Projects completed at or below the budget cost

Testing Frequencies: Projects completed within 10 percent of minimum required frequencies

Overall Target: 80 percent of Projects completed within budget, schedule, Contract Modification, construction engineering and testing frequency measures”



By implementing a Performance Measure approach to meeting testing frequencies, the Department will achieve compliance with federal regulations.

The overhauled Construction Manual was completed in May 2017 and is currently under review. The Construction Manual will be approved by the Federal Highway Administration and implemented by November 1, 2017.

*Status:* Corrected.

**2015-014**                    **U.S. Department of Education**  
**Title I Grants to Local Educational Agencies, CFDA 84.010**

**Subrecipient Monitoring**  
**Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:*    *OMB Circular A-133* states that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During our testing, we examined a sample of four subrecipients out of a population of 17. For one of the four subrecipients selected for examination, we noted that the Nevada Department of Education did not monitor its use of Federal awards through reporting, site visits, or other means to obtain reasonable assurance that they were in compliance with laws, regulations, and the provisions of contracts or grant agreements.

*State's Response:*    The NDE Office of Student and School Supports implemented eNote Tracker, a web-based tool designed to streamline fiscal and program monitoring for State and Federal programs. The online system presents the user with the appropriate group of monitored items, and allows the subrecipient to respond to those items by uploading evidentiary documents and/or responses. This requirement was implemented in FY 2016 and strengthened in FY 2017.

*Status:* Not corrected.

**2015-015**

**U.S. Department of Education  
Title I Grants to Local Educational Agencies, CFDA 84.010  
Special Education Cluster:  
Special Education-Grants to States, CFDA 84.027  
Special Education-Preschool Grants, CFDA 84.173**

**Matching, Level of Effort, Earmarking  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:*

*OMB Circular A-133* provides that earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities.

We planned to test that the Nevada Department of Education monitor earmarking requirements. We found that the Nevada Department of Education is aware of earmarking requirements, as amounts had been allocated based on earmarking requirements. However, the Nevada Department of Education could not provide support that the earmarking requirements were met. Therefore we were unable to determine that the Nevada Department of Education was in compliance with the earmarking requirement.

*State's Response:*

The NDE has already established an object code that will allow earmarking and tracking of expenditures for the programs. This allows set asides to be earmarked and requests for funds to adequately be monitored and tracked through the Grants Management Unit. NDE has a checkbook for each grant that will balance to the DAWN amount per grant and CAN year. This required earmarking was implemented 100% by October 10<sup>th</sup>, 2017 retroactive to July 1, 2017 or further depending on the CAN.

*Status:*

Corrected.

**2015-016**

**U.S. Department of Education  
Title I Grants to Local Educational Agencies, CFDA 84.010  
Special Education Cluster:  
Special Education-Grants to States, CFDA 84.027  
Special Education-Preschool Grants, CFDA 84.173**

**Allowable Costs/Cost Principles  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:* OMB Circular A-87 provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, costs must be necessary and reasonable for the performance and administration of the Federal award, and be adequately documented.

As part of our testing over Allowable Costs/Cost Principles, we tested a sample of 40 payments to subrecipients for each program for compliance with the criteria contained in the “Basic Guidelines” section of OMB Circular A-87.

During testing, we noted that the Nevada Department of Education did not review or obtain supporting documentation prior to making payments to subrecipients. As such, we were unable to determine whether the amounts paid to subrecipients were for allowable costs.

*State’s Response:* The Grants Management Unit requires all source documentation, such as invoices, receipts, to be submitted with all requests for funds. This ensures that all reimbursements have the required documentation to support allowable costs and payment. NDE now requires all sub-recipients to request funds on a reimbursement basis, and each request must contain a general ledger of expenses in order to be reimbursed. This process was implemented July 1, 2017.

*Status:* Not corrected.

**2015-017**      **U.S. Department of Education**  
**Title I Grants to Local Educational Agencies, CFDA 84.010**  
**Special Education Cluster:**  
**Special Education-Grants to States, CFDA 84.027**  
**Special Education-Preschool Grants, CFDA 84.173**

**Cash Management**  
**Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Initial Fiscal Year*  
*Finding Occurred:*

2015

*Finding Summary:* OMB Circular A-133 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which define the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific

methods (funding techniques) for drawing Federal funds of selected large programs.

We planned to test a sample of cash draws to ensure Federal funds were requested in compliance with the appropriate funding technique and clearance pattern per the Treasury-State Agreement. For all cash draws selected for testing, the Nevada Department of Education was unable to provide adequate support to identify the program costs for which the cash draws were being prepared. Therefore, we were unable to determine that funds were drawn in conformance with the specified funding technique and clearance pattern as outline in the Treasury-State Agreement.

*State's Response:* The NDE Office of Department Support has already in place a spreadsheet that will allow tracking of all cash draws. Each draw is scanned with proper worksheets and backup used for reconciliations. As an additional precaution, the NDE has implemented additional data backups so information can be found in multiple locations. NDE is in full compliance with this corrective action

*Status:* Not corrected.

**2015-019**                    **U.S. Department of Education**  
**Special Education Cluster:**  
**Special Education-Grants to States, CFDA 84.027**  
**Special Education-Preschool Grants, CFDA 84.173**

**Subrecipient Monitoring**  
**Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:* *OMB Circular A-133* provides that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During our testing, we examined a sample of five subrecipients out of a population of 20. For three of the five subrecipients selected for examination, we noted that the Nevada Department of Education did not monitor its subrecipients' use of Federal awards through reporting, site visits, or other means to obtain reasonable assurance that the subrecipients were in compliance with laws, regulations, and the provisions of contracts or grant agreements.

*State's Response:* The Nevada Department of Education implemented a process to ensure corrections to DAWN are made prior to the SARF being submitted. This process includes the document preparer and the supervisor. After all corrections have been submitted and cleared, a double-check occurs to make sure amounts match. NDE has a checkbook for each grant that will balance to the DAWN amounts per grant and CAN year. This process was implemented 100% by October 1, 2017 retroactive to July 1, 2017 or further depending on the CAN.

*Status:* Not corrected.

**2015-020** **U.S. Department of Health and Human Services  
State Planning and Establishment Grants for the Affordable Care Act  
(ACA)'s Exchanges, CFDA 93.525**

**Eligibility  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2015

*Finding Summary:* The *OMB Circular A-133 Compliance Supplement* for State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges states that eligible entities include an entity (a) incorporated under, and subject to the laws of, one or more States; (b) that has demonstrated experience on a State or regional basis in the individual and small group health insurance markets and in benefits coverage; and (c) that is not a health insurance issuer or that is treated under the Internal Revenue Code of 1986, as amended, (26 USC 52(a) or (b)) as a member of the same controlled group of corporations (or under common control with) as a health insurance issuer (42 USC 18031(f)(3); 45 CFR section 155.110(a)(1)).

During our audit testing over subrecipient eligibility, we examined a sample of two subrecipients out of a population of three and noted Nevada's Silver State Health Insurance Exchange was unable to provide support that it ensured the eligibility criteria was met prior to issuing a subgrant for one of the subrecipients. However, the subrecipient did appear to, ultimately, meet the criteria.

*State's Response:* The recurrence of this finding was due to timing. The 2016 Sub Awards were either close to or out for certification by the time the Exchange received, reviewed, and responded to this finding. During the 2016 request for application (RFA) process, the Exchange did test for Debarment and other eligibility criteria before signing a vendor into an agreement. These checks were just not documented on a check sheet. However the debarment check was printed out for documentation. The Exchange did develop a checklist which was added to our Internal Control and was

implemented on 6/21/16. This checklist is used to ensure that eligibility criteria is met for any subrecipient prior to issuing subgrant funds for FY 2017.

*Status:* Corrected.

**2015-024 U.S. Department of Health and Human Services  
Child Care and Development Fund Cluster:  
Child Care and Development Block Grant, CFDA 93.575  
Child Care Mandatory and Matching Funds of the Child Care and  
Development Fund, CFDA 93.596**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2014

*Finding Summary:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency, as well as ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipients take timely and appropriate corrective action on all audit findings. Further, the pass-through entity is responsible for obtaining the DUNS number for each subgrantee.

As part of our audit procedures, we determined that the Nevada Division of Welfare and Supportive Services had awarded funds to two subrecipients. However, it was noted that subrecipient monitoring procedures had not been performed.

*State's Response:* DWSS took appropriate corrective action after the audit conducted during 2015 and converted the two entities in question to sub grantees effective July 1, 2015; the beginning of the next state fiscal year (SFY16) as recommended. Appropriate steps were taken to ensure all parties are aware of the required monitoring and audit requirements. No further corrective action was required regarding the reclassification and sub award contracts of either entity. Although these corrections were made July 1, 2015, additional requirements not noted to DWSS at the time of the audit resulted in finding 16-35 as well as 17-27. Implementation of additional corrective action for 16-35, including adoption of the Department sub-award template which incorporates additional required information fields, became effective on March 31, 2017. Finding 17-27 was a result of the

timeframe for the SFY17 audit including time periods prior to corrective action being implemented for finding 16-35.

*Status:* Partially corrected.

**2015-025**      **U.S. Department of Health and Human Services**  
**Medicaid Cluster:**  
**State Medicaid Fraud Control Units, CFDA 93.775**  
**State Survey and Certification of Health Care Providers and**  
**Suppliers (Title XVIII) Medicare, CFDA 93.777**  
**Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Eligibility**  
**Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:*

2014

*Finding Summary:*      The *OMB Circular A-133 Compliance Supplement* provides that the State agency is required to determine eligibility in accordance with the eligibility requirements defined in the approved State plan.

As part of our audit procedures, we selected a sample of Medicaid recipients who had been determined to be eligible by the State based on factors other than their Modified Adjusted Gross Income, i.e. non-MAGI determinations, and reviewed their eligibility status. Of the 60 non-MAGI determination case files reviewed, we noted three instances where, due to data entry errors in the NOMADS system, the recipients had been categorized in the system with the incorrect eligibility category.

*State's Response:*      As a result of the Corrective Actions Plan steps initiated in 2015 and 2016, the 2017 review has shown improvement in this element, however one exception remained. We are pleased to see only a 1% error rate however in reviewing the root causes in the systems, both human and machine, the agency DWSS has modified the original corrective action plan as follows: DWSS has several controls which are used to review eligibility determinations, and subsequently address issues found during the reviews. We will officially be adding a 5<sup>th</sup> level of review through our business process post-implementation reviews (PIR). Those reviews focus on our business processes which include a sampling of 75 cases, observation of live interviews to ensure scripts are being followed, adherence to workflow, and now a review of the application for completeness. The five levels consist of monthly supervisory reviews, management evaluation reviews, business process post-implementation reviews, quality assurance reviews, and process improvement reviews. In addition, a third annual statewide training conference covering topics related to issues found in reviews will be held in 2019. To further address ongoing needs, the DWSS training unit, in conjunction with the program policy unit, is currently

writing a series of trainings to be implemented in mid-to-late 2018 via a targeted “academy” which will provide refresher training on the entire non-MAGI program as a whole. The agency has also a series of monthly “tips” when a significant issue is found. These tips are sent to all eligibility workers and serve as reminders of policy and process.

*Status:* Not corrected.

**2015-026**                      **U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Cash Management  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:* A. The *OMB Circular A-133 Compliance Supplement* states that to the extent available, program income, rebates, refunds, and other income and receipts should be disbursed before requesting additional Federal cash draws.

B. The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

A. During our audit testing, we noted rebates were not disbursed prior to requesting additional Federal cash draws for 27 of 238 draws performed during fiscal year 2015.

B. The terms of the Treasury-State Agreement specify three funding techniques (Payroll, Administrative, and Food) applicable to the WIC program with clearance patterns of zero to three days depending on the component. We tested a sample of 24 cash draws for compliance with the applicable funding technique. We noted six of the cash draws did not comply with the funding technique in the Treasury-State Agreement.

*State’s Response:* B: The state did revise the 2017 CMIA memo, but it still did not accurately reflect the way the Administrative (non-payroll) funds were drawn in.

The Division will request from the State Controller’s office to update the TSA-CMIA memo for the Administrative (non-payroll) component of the



WIC program from an “Average Clearance – Accounts Payable Method” technique to an Interest Neutral “Actual Drawdown” method. Anticipated completion date April 1, 2018.

*Status:* Partially corrected.

**2015-027 U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2015

*Finding Summary:* A. *OMB Circular A-133* states that a pass-through entity, at the time of the subaward, is responsible for identifying to the subrecipient the Federal award information and applicable compliance requirements.

B. The *OMB Circular A-133 Compliance Supplement* states on-site reviews of local agencies shall include evaluation of management, certification, nutrition, education, civil rights compliance, accountability, financial management systems, and food delivery systems. These reviews must be conducted on each local agency at least once every two years, including on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater (7 CFR section 246.19(b)).

C. *OMB Circular A-133* states that a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient’s audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient’s audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

During our audit procedures, we examined a sample of five subrecipients out of a population of 20 and noted the following:

A. The CFDA number was not communicated to one of the subrecipients tested.

B. The required on-site review was not performed for one of the subrecipients tested within the last two years.

C. The Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable, for three of the subrecipients tested.

*State's Response:* A: This has been corrected. As of April 1, 2017, the agency implemented the "CFDA number, name and amount" within the "Additional Description" field of all payment vouchers.

B: Effective April 1, 2017, the WIC program implemented controls to ensure subrecipients were monitored and on-site reviews were appropriately performed. Risk Assessment tools will be developed and referenced within internal controls.

C: Although the coordination of verifying that required audit reports were received, reviewed and appropriately acted upon was assigned to an Accounting Assistant III new to the Grants Management Unit, due to heavy workload, these procedures were not implemented. The managers within the Grants Management Unit will establish internal controls, as well as policy and procedures, for the agency regarding audit findings of subgrantees. The Accounting Assistant III will work with the Contract/Grants Management Unit, the assigned Administrative Services Officer, and program staff to ensure the audit reports are being received, reviewed, followed up, logged and tracked through completion. Management review and corrective actions/findings will be reviewed and approved by Division Administration.

*Status:* Not corrected.

**2015-028** **U.S. Department of Health and Human Services**  
**Immunization Cooperative Agreements, CFDA 93.268**

**Subrecipient Monitoring**  
**Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

In addition, the grant award provides that the Federal Award Identification Number (FAIN) must be included on all subawards.

As part of our audit procedures, we examined a sample of two subrecipients out of a population of five. The Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable, for either of the subrecipients tested. In addition, neither of the subawards included the FAIN.

*State's Response:* Enhancement of procedures to ensure subawards are reviewed for required data elements, audit reports are monitored and timely management decisions are issued.

The requirement that a Notice of Grant Award include a Federal Award Identification Number (FAIN) for each subaward was implemented in March 2016.

Prior to June 30, 2016, policies and procedures were revised to ensure that subrecipient audits are performed timely and that appropriate follow-up actions are taken in accordance with OMB Circular A-133 Compliance Supplement. The Division has faced challenges in completing its plan to automate its contracts and grants management system due to the Department of Administration's requirement (see notes above). It is unknown at this time when this statewide system will be available. As previously reported, the new system was to allow the Management Analyst III additional time to ensure that subrecipient audit reports are reviewed and any required management decisions are issued. An Accounting Assistant position was transferred to the Grants Management Unit on February 13, 2017, (and filled April 24, 2017) to ensure subrecipient audit reports are received and logged for review.

*Status:* Partially corrected.

**2015-029 U.S. Department of Health and Human Services  
Immunization Cooperative Agreements, CFDA 93.268**

**Special Tests and Provisions – Control, Accountability, and  
Safeguarding of Vaccine  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:* The *OMB Circular A-133 Compliance Supplement* states that effective control and accountability must be maintained for all vaccines under the Vaccines for Children (VFC) program. Vaccines must be adequately safeguarded and used solely for authorized purposes. Grantees are responsible for oversight of program-enrolled providers to ensure that proper control and accountability is maintained for vaccines.

During our audit testing, we noted the Nevada Division of Public and Behavioral Health was receiving provider inventory records. However, the Division did not sample provider inventory records to ensure proper recording of receipt, transfer, and usage of vaccine, as required, to ensure that proper control and accountability is maintained.

*State's Response:* Enhance procedures to sample provider inventory records to ensure that proper control and accountability is maintained for vaccines.

Corrective Action Date implemented March 2017.

The Nevada State Immunization Program transitioned all enrolled providers to an electronic vaccine inventory management using the State's Immunization Information System (SIIS), NV WebIZ. The process began in March 2016 and was completed March 2017, with all providers managing, tracking and ordering public vaccine stock online in real time. Immunization staff sample real-time inventory data within NV WebIZ throughout the month to ensure that vaccine is being stored and administered appropriately and to the eligible populations; any discrepancies will result in staff follow-up with the enrolled provider and their clinic staff.

*Status:* Partially corrected.

**2015-030 U.S. Department of Health and Human Services  
National Bioterrorism Hospital Preparedness Program (HPP), CFDA  
93.889**

**Allowable Costs/Cost Principles  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2013

*Finding Summary:* The *OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

The Nevada Division of Public and Behavioral Health allocates salary and benefit charges to the Hospital Preparedness Program according to percentages assigned to the employee positions. The personnel activity reports (time cards) signed by employees are exception-only reports, and by including a notation of the percent of time worked on the Hospital Preparedness Program on the time cards, they effectively support the amount of salary and benefit costs that should have been charged to the program.

During our testing of payroll charges to this program, we examined 60 time cards for employees who work on multiple activities or Federal programs, including the Hospital Preparedness Program. It was noted that in 14 instances, the time cards tested did not include any notations by the employees to support the amount of their time allocated to Federal programs. Because those time cards did not identify the Federal programs and time allocation on them, the time cards did not meet the standards for documentation.

*State's Response:* Enhanced internal controls to ensure that the documentation of time and effort by all employees is adequate to support salary and benefits charged to the Hospital Preparedness Program.

Although the Time and Effort project is still in production, the Hospital Preparedness Program has used alternative methods to support the salary and benefits charged to the federal program since prior to June 30, 2016.

*Status:* Partially Corrected.

**2015-031 U.S. Department of Health and Human Services  
National Bioterrorism Hospital Preparedness Program (HPP), CFDA  
93.889**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:*

2014

*Finding Summary:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

In addition, the grant award provides that the Federal Award Identification Number (FAIN) must be included on all subawards.

As part of our audit procedures, we examined a sample of three subrecipients out of a population of five. The Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable, for any of the subrecipients tested. In addition, none of the subawards included the FAIN.

*State's Response:* Implementation of procedures to ensure subawards are reviewed for required data elements, audit reports are monitored and timely management decisions are issued.

The requirement that a Notice of Grant Award include a Federal Award Identification Number (FAIN) for each subaward was implemented in March 2015.

Prior to June 30, 2016, policies and procedures were revised to ensure that subrecipient audits are performed timely and that appropriate follow-up actions are taken in accordance with OMB Circular A-133 Compliance Supplement. The Division has faced challenges in completing its plan to automate its contracts and grants management system due to the Department of Administration's requirement (see note above). It is unknown at this time when this statewide system will be available. As previously reported, the new system was to allow the Management Analyst III additional time to ensure that subrecipient audit reports are reviewed and any required management decisions are issued. An Accounting Assistant position was transferred to the Grants Management Unit on February 13, 2017, (and filled April 24, 2017) to ensure subrecipient audit reports are received and logged for review.

*Status:* Partially corrected.

**2015-034**                    **U.S. Department of Health and Human Services**  
**Block Grants for Prevention and Treatment of Substance Abuse,**  
**CFDA 93.959**

**Subrecipient Monitoring**  
**Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:*    A. *OMB Circular A-133* states that a pass-through entity, at the time of the subaward, is responsible for identifying to the subrecipient the Federal award information and applicable compliance requirements.

B. *OMB Circular A-133* states that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

C. *OMB Circular A-133* states that a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

A. During our audit procedures over a population of 46 subrecipients, we noted that the Nevada Division of Public and Behavioral Health made payments to eight subrecipients without identifying to the subrecipients the Federal award information and applicable compliance requirements.

B. During our audit procedures, we examined a sample of 13 subrecipients. For each subrecipient selected for examination, the Division was unable to provide support for its monitoring of subrecipient's use of Federal awards to provide for reasonable assurance that the subrecipient administered the program appropriately.

C. During our audit procedures, we examined a sample of 13 subrecipients. For 10 of the 13 subrecipients selected for examination, the Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable.

*State's Response:*

A: This has been corrected. As of April 1, 2017, the agency implemented the "CFDA number, name and amount" within the "Additional Description" field of all payment vouchers.

B: Policies and procedures were not followed. Effective September 1, 2017, the SAPTA program implemented controls to ensure subrecipients were monitored and on-site reviews were appropriately performed.

C: Although the coordination of verifying that required audit reports were received, reviewed and appropriately acted upon was assigned to an Accounting Assistant III new to the Grants Management Unit, due to heavy workload, these procedures were not implemented. The managers within the Grants Management Unit will establish internal controls, as well as policy and procedures, for the agency regarding audit findings of subgrantees. The Accounting Assistant III will work with the Contract/Grants Management Unit, the assigned Administrative Services Officer, and program staff to ensure the audit reports are being received, reviewed, followed up, logged and tracked through completion. Management review and corrective actions/findings will be reviewed and approved by Division Administration.

*Status:*

Not corrected.

**2015-035**

**U.S. Department of Health and Human Services  
Block Grants for Prevention and Treatment of Substance Abuse,  
CFDA 93.959**

**Cash Management  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:* OMB Circular A-133 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing of Federal cash draws, we noted that the draws are prepared and submitted without being reviewed by an individual independent of the preparation process.

*State's Response:* Implementation of controls to provide for the review of Federal cash draws by an individual independent of the preparation.

Procedures to require an independent review prior to drawing federal funds were implemented July 1, 2016.

*Status:* Corrected.

**2015-038 U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658**

**Special Tests and Provisions – Payment Rate Setting and Application  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2013

*Finding Summary:* The OMB Circular A-133 Compliance Supplement provides that Title IV-E agencies establish payment rates for maintenance payments. The Title IV-E agency's plan must provide for periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11)).

As part of our testing over maintenance payment rates, we noted there were no policies or procedures included in the State's IV-E plan to provide for the periodic review of maintenance payment rates as required.

*State's Response:* The State of Nevada established a statewide workgroup in July 2017 to include its county partners to develop a policy to address Nevada's foster care rates and review requirements based on the process that has been developed. The website has been updated with current rates and will include the new rates and the effective dates once established.

*Status:* Corrected.



2015-039

**U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658**

**Allowable Costs/Cost Principles  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2014

*Finding Summary:*

The *OMB Circular A-133 Compliance Supplement* provides that funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies.

As part of our testing over Foster Care maintenance payments, we tested 40 foster care providers who received maintenance payments during the year, which represented in excess of 10,000 days of service. We noted that six of those 40 foster care providers received at least one day of duplicate payments during the year (27 days in total). Therefore, these providers were paid twice for the same day(s) of service.

*State's Response:*

The concurrency control has been actively investigated for the past several years, programming and testing has identified that a problem still exists. The problem occurs when a one-day overlap in Service Authorizations exists (causing a one-day overpayment). This has not been an easy programming-fix. One control rule is "do not pay for last day (date of discharge)", which is working perfectly. However service authorization renewals must have continuous dates, as does placement changes so there is not a gap of one-day (causing a one-day underpayment).

The Eligibility Unit will continue to review payments prior to them being issued to catch any improper payments (overpayments or underpayments) due to the concurrency control issues still identified within the old UNITY system Payment Windows. The Fiscal Assignment procedure to address this manual process was implemented in February 2016 and will stay in effect until the automated process is fully programmed.

DCFS Information Management System (IMS) group will have available resources at the start of 2018 to dedicate to the programming necessary to implement a statewide automated process that ensure control and accuracy of payments to foster care providers. The targeted corrected date for this finding is June 30, 2018 provided the user acceptance testing is a success.

*Status:*

Not corrected.

**2015-040**

**U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Eligibility  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:*

*OMB Circular A-133* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing over eligibility determinations, we noted that the determinations are performed without being reviewed by an individual independent of the initial determination.

*State's Response:*

The Eligibility Determination Reviews procedure was implemented February 23, 2016. The Eligibility Determination review checklist was updated to reflect the "Reviewed By" signature line on January 29, 2018.

*Status:*

Not corrected.

**2015-041**

**U.S. Department of Health and Human Services  
Foster Care – Title IV- E, CFDA 93.658  
Adoption Assistance – Title IV- E, CFDA 93.659**

**Allowable Costs/Cost Principles  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2014

*Finding Summary:*

The *OMB Circular A-133 Compliance Supplement* provides that a State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. Since cost allocation plans are of a narrative nature, the Federal government needs assurance that the cost allocation plan has been implemented as approved.

During our audit testing over the Nevada Division of Child and Family Services' cost allocation plan, we noted 13 administrative accounts that were not allocated in accordance with the cost allocation plan.

*State's Response:* The Division of Child and Family Services has revised procedures for completing the Cost Allocation Methodology that include the review of the documentation used to determine what the allocation statistics are during each quarter. In addition, the procedure includes a review of the results of processing cost allocation, identification of problems and what to do to resolve them.

Documentation of changes in processes and allocation methods is being retained to ensure proper implementation of the approved cost allocation plan. New processes are also being reviewed to ensure they are working correctly.

The procedure for the quarterly comparison of the Cost Allocation Plan (CAP) narrative was updated and implemented with the 3/31/17 claim. Training of staff occurred in several sessions and was completed on 5/11/17.

*Status:* Corrected.

**2016-A Amortization of Bond Premiums and Discounts  
Material Weakness**

*Initial Fiscal Year  
Finding Occurred:*

2016

*Finding Summary:*

Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly calculating and reporting amortization of bond premiums and discounts are key components of effective internal control over financial reporting.

A prior period adjustment of approximately \$48,480,000 was required to correct the amortization of bond premiums and discounts when the State of Nevada converted from the straight line method to the interest method of amortization.

Prior to July 1, 2015, the internal controls in place did not ensure that the amortization of bond premiums and discounts was calculated using the interest method.

In prior years, net position in the governmental activities of the government wide financial statements was understated by approximately \$37,069,000 and net position in the business-type activities was understated by approximately \$11,411,000. The Unemployment Compensation Fund was understated by \$10,434,000 while the Water Projects Loans was understated by \$977,000.

We recommend the State of Nevada enhance internal controls to ensure the interest method is used when calculating and recording amortization of bond premiums and discounts.

*State's Response:* The Controller's Office identified and corrected the error in July 2016 for the fiscal year 2016 CAFR. To prevent the problem from occurring again, the Controller's Office purchased software for tracking long-term debt obligations, and the software calculates amortization using the interest method. This software has been in place for all of fiscal year 2017.

*Status:* Corrected.

**2016-B Allocation of Investment Losses  
Material Weakness**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly allocating investment losses among the various funds is a key component of effective internal control over financial reporting.

A prior period adjustment of \$4,085,616 was required to correct a journal entry made in 2014-15 allocating a portion of an investment loss to the Highway Fund.

The internal controls in place did not ensure that the allocation of an investment loss among the funds was accurate.

In 2014-15, fund balance in the Highway Fund was understated and fund balance in the General Fund was overstated by \$4,085,616.

We recommend the State of Nevada enhance internal controls to ensure the allocation of investment losses among the various funds is accurate.

*State's Response:* The Controller's Office identified and corrected the error in February 2016 for the fiscal year 2016 CAFR. In addition, a procedure was established in May 2017 to address how to record the allocation of investment losses in the funds when recognition of losses is deferred in the distribution process. There have been no investment losses where recognition in the distribution process was deferred during fiscal year 2017.

*Status:* Corrected.

**2016-C Highway Fund – Accounts Payable, Deferred Inflow of Resources, and Inventory Material Weakness**

*Initial Fiscal Year*

*Finding Occurred:* 2016

*Finding Summary:* Management is responsible for establishing and maintaining an effective system of internal controls over financial reporting. Proper reporting of accounts payable, deferred inflow of resources, and inventory is a key aspect of a strong system of internal control.

During our audit procedures, we became aware of several transactions in the Highway Fund that were not recorded in the appropriate accounting period under the modified accrual basis of accounting. We also became aware of a transaction that was posted incorrectly due to a formula error on an inventory spreadsheet.

The internal controls in place did not ensure that receipts and payments after year end were recorded in the accounting period in which the goods or services were received or provided. In addition, the internal controls in place did not ensure that inventory was accurately reported.

Prior to adjustment, fund balance in the Highway Fund was overstated by \$17,190,328 as a result of unrecorded contracts payable and understated by \$1,012,347 due to unrecorded revenues. In addition, inventory was overstated by \$3,410,142.

*State's Response:* NDOT has created the logs for FY17 payment vouchers, journal vouchers and cash receipts that didn't meet the cut-off deadline of fiscal year 2017 and processed in FY18. NDOT Accounting has started to log since August 25. Per the request from the Controller's Office, Accounting will provide them with the logs on Oct 10 and will continue monitoring and providing that information until their auditors issue opinion.

NDOT's Inventory Report was redesigned to include a comparison of current year vs. prior year with an explanation for each significant change.

*Status:* Corrected.

**2016-001: U.S. Department of Agriculture SNAP Cluster:  
Supplemental Nutrition Assistance Program (SNAP), CFDA 10.551  
State Administrative Matching Grants for the Supplemental Nutrition  
Program, CFDA 10.561**

**Other  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), requires that pass-through entities must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by their financial statements that includes the total Federal awards expended and provides the total Federal awards expended for each individual Federal program.

The amount of awards expended for this program on the State of Nevada's SEFA was not supported by the State's accounting records.

The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure total Federal awards expended for the program were reported accurately on the SEFA. Expenditures initially reported on the SEFA were understated by \$35,267,430, which required correction on the final SEFA.

*State's Response:* This finding occurred due to a spreadsheet error. The error has been corrected; links have been updated as well as procedures. Staff received training to ensure a more comprehensive review in January, 2017.

*Status:* Corrected.

**2016-002: U.S. Department of Agriculture  
Child Nutrition Cluster:  
School Breakfast Program, CFDA 10.553 National School Lunch  
Program, CFDA 10.555  
Special Milk Program for Children, CFDA 10.556  
Summer Food Service Program for Children, CFDA 10.559**

**Cash Management  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

The U.S. Department of the Treasury (Treasury) regulations at 31 FR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

Supporting documentation was not available for some of the Federal cash draws selected for testing. As a result, there was no evidence that funds were drawn in compliance with the appropriate funding technique per the Treasury-State Agreement. In addition, we noted that internal controls at the Nevada Department of Agriculture (the Department) require that draws are reviewed and approved by an individual independent of the preparation process prior to submission. Evidence of review and approval was not present for some of the Federal cash draws selected for testing.

The Department did not have internal controls in place to ensure that adequate records were maintained for Federal cash draws and established internal controls that require Federal cash draws are reviewed by an individual independent of the preparation process were not followed.

Inaccurate Federal cash draws may be submitted, the incorrect amount of Federal funds may be received, and the appropriate funding technique per the Treasury- State Agreement may not be followed.

A nonstatistical sample of five Federal cash draws out of 19 was selected for testing. Supporting documentation was not available for two of the five selected. In addition, two of the remaining three Federal cash draws lacked evidence of the required review and approval prior to submission.

*State's Response:*

The Federal Cash Draws in question overlapped the 2015-002 audit finding before the corrective action plan for that finding was implemented. The Department has current policies and procedures for Federal cash draws including having our Administrative Services Officer III sign off on all federal draws, and having the Fiscal Administrator as that position's back-up. In addition, we have established required documentation for each draw and will update current policies and procedures to reflect these changes. Lastly, the Department has updated policies and procedures to make sure both State and Federal record retention requirements are followed. If auditors pull documents in 2019 for SFY18 audit prior to completion date this finding will continue to be partially completed. Completion Date: March 8, 2018

*Status:*

Partially corrected.

**2016-003:**

**U.S. Department of Agriculture  
Child Nutrition Cluster:  
School Breakfast Program, CFDA 10.553 National School Lunch  
Program, CFDA 10.555  
Special Milk Program for Children, CFDA 10.556  
Summer Food Service Program for Children, CFDA 10.559**

**Period of Performance**

**Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* The OMB Compliance Supplement requires that when Federal awards specify a time period during which non-Federal entities may use Federal funds, the non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period.

Expenditures were charged to the incorrect grant resulting in payments being made for obligations that were incurred outside of the grant's period of performance.

The Nevada Department of Agriculture (the Department) did not have adequate internal controls to ensure that amounts charged to Federal awards were for obligations incurred during the period of performance.

The State may be required to repay these funds at a later date.

CFDA 10.553 - \$17,470 (Award #7NV300AG3 201616N109947)  
CFDA 10.555 - \$37,990 (Award #7NV300AG3 201616N109947)

A nonstatistical sample of 40 out of 452 payments to subrecipients was selected for testing. We noted four instances where amounts were paid for obligations incurred outside of the period of performance.

*State's Response:* The Nevada Department of Agriculture has received authorization from the Federal agency approving payment of these obligations incurred outside of the period of performance for the obligations paid in this finding. Therefore, there will be no costs in question. Going forward the Nevada Department of Agriculture has implemented revised policies and procedures ensuring that the obligations are paid within the period of performance and/or gets prior written authorization from the Federal agency to pay for obligations outside the period of performance. Completion date was March 1, 2017.

*Status:* Corrected.

**2016-004: U.S. Department of Agriculture  
Child Nutrition Cluster:  
School Breakfast Program, CFDA 10.553 National School Lunch  
Program, CFDA 10.555  
Special Milk Program for Children, CFDA 10.556  
Summer Food Service Program for Children, CFDA 10.559**

**Reporting  
Significant Deficiency in Internal Control over Compliance**



*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* The OMB Compliance Supplement requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements, and identifies the FNS-10, Report of School Program Operations (FNS-10) and the FNS-777, Financial Status Reports (FNS-777) as applicable to the Child Nutrition Cluster.

Internal controls at the Nevada Department of Agriculture require that reports are reviewed and approved by an individual independent of the preparation process prior to submission. Certain reports were prepared and submitted without being reviewed and approved by an individual independent of the preparation process.

The Department did not follow established internal controls to ensure that reports submitted to the Federal agency were reviewed and approved by an individual independent of the preparation process.

Inaccurate information was reported to the Federal agency.

Nonstatistical samples of four out of 24 FNS-10 reports and two out of eight FNS-777 reports were selected for testing. We noted two FNS-10 reports and two FNS-777 reports were prepared and submitted without being reviewed by an individual independent of the preparation process.

*State's Response:* The Nevada Department of Agriculture has implemented a policy and procedure documenting review and approval of reports by an individual independent of the preparer. If auditors pull documents in 2019 for SFY18 audit prior to completion date this finding will continue to be partially completed. Completion date was March 8, 2018.

*Status:* Partially corrected.

**2016-005: U.S. Department of Agriculture  
Child Nutrition Cluster:  
School Breakfast Program, CFDA 10.553 National School Lunch  
Program, CFDA 10.555  
Special Milk Program for Children, CFDA 10.556  
Summer Food Service Program for Children, CFDA 10.559**

**Subrecipient Monitoring  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

The Nevada Department of Agriculture (the Department) did not have adequate internal controls to ensure that subawards included all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number was identified to the subrecipient at the time of disbursement.

Noncompliance may occur at the subrecipient level.

A nonstatistical sample of four out of 34 subrecipients was selected for testing. None of the four subawards included all of the information required by Uniform Guidance. In addition, a nonstatistical sample of 40 payments to subrecipients were selected for testing, of which 29 were subject to the requirements of Uniform Guidance. None of the 29 payments tested identified the award's CFDA number.

*State's Response:* The Nevada Department of Agriculture FND division has several templates for Notice of subgrant award for different programs. Unfortunately, not all the programs updated the templates to add the CFDA and FAIN numbers on the award letters or Notice of Award forms. The FND group is reviewing any SFY18 award documents to assure that the FAIN and CFDA numbers appeared on the award documents, if not, the notice of award will be amended and resent to subgrantees. Completion date June 30, 2018.

*Status:* Not corrected.

**2016-006: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Procurement, Suspension, and Debarment  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required.

The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure all contracts under Federal awards contained the applicable provisions.  
Contractors may not be aware of required terms and conditions.

A nonstatistical sample of 40 procurement transactions was selected for testing, including two contracts subject to Appendix II to Part 200. Neither of the contracts tested contained all of the applicable provisions.

*State's Response:* The Public Works Division has denied the request to include language to revise its lease template to satisfy these provisions.

The Contract Unit will add an addendum to the contracts scope of work providing the federal required language in regards to:

- Suspension/Debarment
- Anti-Lobbying
- Clean Air/Clean Water Act

*Status:* Not corrected.

**2016-007: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:*

2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires States to follow the same policies and procedures for procuring property and services under a Federal award as it does when procuring property and services with non-Federal funds.

The State Administrative Manual (SAM) describes various procedures over the procurement process in relation to vendors and the subgranting process in relation to subrecipients.

A subgrant was inappropriately used to procure services from a vendor rather than following the contracting procedures described in SAM for vendors.

The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls in place to ensure existing vendor procurement procedures were followed.

The vendor was not subject to the procurement procedures described in the SAM.

A nonstatistical sample of five entities out of 20 was selected for testing. One of the entities selected was a vendor who received a subgrant.

*State's Response:* The Division has created a form to aid programs in determining the appropriate contractual agreement to procure services which will be used department-wide. The Department has approved the form, but is waiting for final approval from its Deputy Attorney General prior to implementation.

*Status:* Corrected.

**2016-008: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Cash Management  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2015

*Finding Summary:* The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

Federal funds were not drawn using the funding techniques specified in the Treasury-State Agreement.

The Nevada Division of Public and Behavioral Health did not have internal controls to ensure funds were drawn using the funding techniques specified in the Treasury-State Agreement.

Incorrect amounts of Federal cash may be received and an interest liability could result.

A nonstatistical sample of 49 Federal cash draws out of 243 was selected for testing. Of this sample, there were 45 where funds were not drawn using the funding techniques specified in the Treasury-State Agreement.

*State's Response:* The state did revise the 2017 CMIA memo, but it still did not accurately reflect the way the Administrative (non-payroll) funds were drawn in.

The Division will request from the State Controller's office to update the TSA-CMIA memo for the Administrative (non-payroll) component of the WIC program from an "Average Clearance – Accounts Payable Method" technique to an Interest Neutral "Actual Drawdown" method.  
Anticipated completion date April 1, 2018

*Status:* Not Corrected.

**2016-009: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Cash Management  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:*

2015

*Finding Summary:* The OMB Compliance Supplement states that to the extent available, program income, rebates, refunds, and other income and receipts should be disbursed before requesting additional Federal cash draws.

Rebates were not disbursed prior to requesting additional Federal cash draws.

The Nevada Division of Public and Behavioral Health did not have internal controls to ensure rebates were disbursed prior to requesting additional Federal cash draws.

Incorrect amounts of Federal cash may be received and an interest liability could result.

No sampling was used; the entire population of 170 Federal cash draws was reviewed. Of this population, four cash draws were requested prior to the disbursement of rebates.

*State's Response:* Although corrective action was implemented to address the disbursement of program income finding prior to June 30, 2016, staff have required additional training to ensure program income is expended prior to federal funds in the future.

*Status:* Corrected.

**2016-010: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance and Material**

*Initial Fiscal Year  
Finding Occurred:* 2015

*Finding Summary:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Pass-through entities verify every subrecipient is audited as required by Uniform Guidance, issue management decisions for audit findings, as applicable, and ensure the subrecipient takes timely corrective action on all audit findings, as applicable.

Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

The Nevada Division of Public and Behavioral Health (the Division) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure the subrecipient took timely corrective action on all audit findings, as applicable.

The Division did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Noncompliance at the subrecipient level may occur and not be detected by the Division.

A nonstatistical sample of six subawards out of a population of 35 was selected for testing. Of this sample, five subawards did not contain all the required information. In addition, we selected a nonstatistical sample of 40 pass-through payments to subrecipients and none of the payments identified the CFDA number.

No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed.

A nonstatistical sample of four subrecipients out of a population of 19 was selected for testing. The Division did not verify that any of the subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure subrecipients took timely corrective action on all audit findings, as applicable.

*State's Response:*

A: This has been corrected. As of April 1, 2017, the agency implemented the "CFDA number, name and amount" within the "Additional Description" field of all payment vouchers.

B: Effective April 1, 2017, the WIC program implemented controls to ensure subrecipients were monitored and on-site reviews were appropriately performed. Risk Assessment tools will be developed and referenced within internal controls.

C: Although the coordination of verifying that required audit reports were received, reviewed and appropriately acted upon was assigned to an Accounting Assistant III new to the Grants Management Unit, due to heavy workload, these procedures were not implemented. The managers within the Grants Management Unit will establish internal controls, as well as policy and procedures, for the agency regarding audit findings of subgrantees. The Accounting Assistant III will work with the Contract/Grants Management Unit, the assigned Administrative Services Officer, and program staff to ensure the audit reports are being received, reviewed, followed up, logged and tracked through completion.

Management review and corrective actions/findings will be reviewed and approved by Division Administration.

*Status:* Not corrected.

**2016-011: U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants, and  
Children (WIC), CFDA 10.557**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2016

*Finding Summary:* The OMB Compliance Supplement states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

While no instances of noncompliance were noted, suspension and debarment verification procedures were not performed prior to entering into certain covered transactions.

The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure suspension and debarment verification procedures were performed prior to entering into all covered transactions.

Payments could be made to recipients who are suspended or debarred.

A nonstatistical sample of eight covered transactions out of a population of 30 was selected for testing. We noted suspension and debarment verification procedures were not performed for three of the transactions tested.

*State's Response:* The Public Works Division has denied the request to include language to revise its lease template to satisfy these provisions.

The Contract Unit will add an addendum to the contracts scope of work providing the federal required language in regards to:

- Suspension/Debarment
- Anti-Lobbying
- Clean Air/Clean Water Act

*Status:* Not corrected.



**2016-012: U.S. Department of Defense  
National Guard Military Operations and Maintenance (O&M)  
Projects, CFDA 12.401**

**Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

The *OMB Compliance Supplement* states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the *Excluded Parties List System*, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. Suspension and debarment verification procedures were not performed prior to entering into covered transactions.

The Nevada Office of the Military (the Office) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions and to ensure suspension and debarment verification procedures were performed prior to entering into all covered transactions.

Contractors may not be aware of required terms and conditions and payments could be made to recipients who were suspended or debarred.

A nonstatistical sample of 40 procurement transactions was selected for testing, including 32 contracts subject to Appendix II to Part 200. 26 of the contracts tested did not contain certain applicable provisions and no suspension and debarment verification procedures were performed for those 26 contracts.

*State's Response:* The reoccurrence was due to the timeframe of the audit and intricacies of working with various agencies to implement the corrective action plan. After receiving the audit result for SFY 2016 on March 2017, the Office of the Military had taken corrective action by working with the agency's Attorney General, State Purchasing, and State Public Works to amend

agency contract templates and ensure that contracts contain the applicable provisions described in Appendix II to Part 200. In addition, the agency had included suspension and debarment verification procedures on all Office of the Military contracts. The corrective action was fully implemented on November 2017 for Office of the Military agency contracts and on February 2018 for State Public Works.

*Status:* Not corrected.

**2016-013: U.S. Department of the Interior  
Fish and Wildlife Cluster:  
Sport Fish Restoration Program, CFDA 15.605  
Wildlife Restoration and Basic Hunter Education, CFDA 15.611**

**Procurement, Suspension, and Debarment  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under federal awards.

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required.

The Nevada Department of Wildlife (the Department) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions.

Contractors may not be aware of required terms and conditions.

A nonstatistical sample of 60 procurement transactions was selected for testing, including four contracts subject to Appendix II to Part 200. One contract did not contain all of the applicable provisions.

*State's Response:* The Nevada Department of Wildlife has worked with the Nevada Attorney General's Office and the Nevada Purchasing Office to create a new contract form which includes the Clean Air Act disclosure specifically to be used by the Nevada Department of Wildlife. The department now uses this approved form for all contracts regardless of the dollar amount.

The one open contract that had the Clean Air Act finding was amended to include this disclosure on March 27, 2017.

*Status:* Corrected.

**2016-014: U.S. Department of Labor  
Unemployment Insurance, CFDA 17.225**

**Special Tests and Provisions – UI Program Integrity, Overpayments  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2014

*Finding Summary:* The *OMB Compliance Supplement* references Pub. L. No. 112-40 and notes that States are prohibited from providing relief from charges to an employer's Unemployment Compensation account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

The system utilized by the Nevada Department of Employment, Training and Rehabilitation (the Department) to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.

The Department did not ensure modifications to the UINV System were implemented by the system's vendor during the system's development to comply with the requirements of Pub. L. No. 112-40 referenced in the *OMB Compliance Supplement*.

The State may be relieving employers of charges when their untimely or inadequate responses have resulted in overpayments.

*State's Response:* As of March 8, 2018, Nevada DETR's response is the same. The corrective action was "completed" on February 8, 2017 as discussed with the auditors and Nevada DETR is in full compliance with Pub. L. No. 112-40. After completion of a comprehensive User Acceptance Testing (UAT) regimen, the Relief of Charging functionality (CR 9917) was promoted to UInv production on February 8, 2017. The functionality is now operational and UI business units to include Benefit Claims, Adjudication, Rulings and Appeals, have been provided with end user instruction.

Pursuant to the response provided to the 2016 Single Audit auditors in March 2017, the system functionality problem has been rectified and has been operational since February 2017.

Updated U.S. DOL Response as of August 2017. In response to the auditor, the State of Nevada concurred with the finding and provided a timeline of when implementation was completed for the UInv system. After completion of a comprehensive UAT regimen, the Relief of Charging functionality was promoted to UNIV production on February 8, 2017. The functionality is now operational and UI business units to include Benefit Claims, Adjudication, Rulings and Appeals, have been provided with end user instruction.

*Status:* Not corrected.

**2016-015: U.S. Department of Labor  
Unemployment Insurance, CFDA 17.225**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* The *OMB Compliance Supplement* provides that states are required to submit a quarterly report, the *Trade Act Participant Report (TAPR)*, on participant characteristics, services, and benefits received, and outcomes achieved, including wage record data, on a rolling quarterly basis. Wage record data is obtained from the Wage Record Interchange System (WRIS).

Wage record data included on the TAPR did not agree to information obtained from the WRIS.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure that information included on the TAPR agreed to the WRIS.

Incorrect information may have been included on the TAPR.

*State's Response:* The State of Nevada's new MIS/Reporting system's (EmployNV) implementation has been delayed until October 9, 2017 due to unforeseen factors. At that time, it is anticipated that all interfaces, including WRIS, required to be a solution to this finding, will become operational. However, there still exists a provision in that the go-live date is not dependent on a fully operational WRIS interface. Nonetheless, should the situation arise whereby the WRIS interface is again delayed, Nevada DETR is confident that the WRIS interface will become fully operational within a reasonable period thereafter.

*Status:* Not corrected.

**2016-016:**

**U.S. Department of Labor  
Unemployment Insurance, CFDA 17.225**

**Cash Management  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:*

2016

*Finding Summary:*

The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs. The terms of the Treasury- State Agreement specify that the Unemployment Insurance program use the estimated clearance funding technique, which requires funds are requested and deposited in accordance with the clearance pattern specified in Exhibit II of the Agreement.

Federal funds were not drawn using the required funding technique.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have internal controls in place to ensure that funds were drawn using the required funding technique.

Incorrect amounts of Federal cash may be received and an interest liability could result.

*State's Response:*

The Nevada DETR has a Memorandum of Agreement (MOA), with the Nevada State Controller, and the Nevada State Controller has a Treasury-State Agreement (TSA) with the Department of the Treasury, required by the Cash Management Improvement Act (CMIA). The stated documents define the Federal cash management process established for UI Administrative (17.225F) and UI Benefits Payment (17.225S) draws.

The UI Administrative (17.225F) funds are drawn weekly, based on 100% of the previous week expenditures. The UI Benefit Payments (17.22S) funds are drawn into the benefits account based on 100% of the benefit payment debit card issued. On each business day, 100% of that days issued debit card file is drawn and 100% of those same funds clear the benefits bank account two (2) days after the draw.

After careful review of the MOA, TSA, and the Federal Register 31 CFR Part 205, DETR has proposed to the Nevada State Controller the correct funding technique for UI Administrative (17.225F) and UI Benefits Payment (17.225S) draws, to match the actual funding used. The Nevada State Controller will draft an amended MOA and TSA for SFY16 and

SFY17, to reflect the correct funding technique used by DETR for the SFY16 and SFY17.

Additionally, DETR FM will document the CMIA requirements within the Revenue Policy and Procedure, which will be reviewed annually as part of DETR FM internal control review.

Nevada DETR Financial Management (FM) management and the Nevada State Controller's Office corrected the Memorandum of Agreement (MOA) for fiscal years 2016 and 2017. Nevada DETR FM staff also updated the Internal Control Procedures (Section 5a Bank Accounts) to include a reference to the CMIA and MOA funding techniques. The MOU and Internal Control Procedures are reviewed on an annual basis.

Updated U.S. DOL Response as of August 2017. In response to the FAR, the State of Nevada agreed with the auditor and explained that the Nevada DETR Financial Management and the Nevada State Controller's Office corrected the Memorandum of Agreement (MOA) for fiscal years 2016 and 2017. The State of Nevada provided copies of the revised MOA and Internal Control Procedures referencing the CMIA and MOA funding techniques. These documents are reviewed annually by the State of Nevada.

*Status:* Corrected.

**2016-017: U.S. Department of Transportation  
Highway Planning and Construction Cluster: Highway Planning and  
Construction, CFDA 20.205 Recreational Trails Program, CFDA  
20.219**

**Subrecipient Monitoring  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

The Nevada Department of Transportation (the Department) did not have adequate internal controls to ensure that subawards included all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number was identified to the subrecipient at the time of disbursement.

Noncompliance may occur at the subrecipient level.

A nonstatistical sample of four out of 22 subrecipients was selected for testing. None of the four subawards included all of the information required by Uniform Guidance. In addition, a nonstatistical sample of 40 out of 521 payments to subrecipients was selected for testing. None of the payments tested identified the award's CFDA number.

*State's Response:* NDOT implemented the changes for the LPA Program as indicated in the Corrective Action Plan. All new LPA agreements that were started after March 1, 2017 have included the updated language about the DUNS and the FAIN. Older agreements are updated only as they are amended.

Regarding identifying the Federal Grant Award Number to the subrecipient at the time of disbursement, our Department implemented an accounting procedure on March 27. All payment vouchers except travel claims, Bank of America procurement cards, contractor's payments and purchase orders are required to include the Federal Grant Award Numbers (aka CFDA numbers) in the coding line description on printed checks or direct deposit advises made to subrecipients.

*Status:* Not corrected

**2016-018 U.S. Department of Transportation  
Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205  
Recreational Trails Program, CFDA 20.219**

**Special Tests and Provisions – Wage Rate Requirements  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2009

*Finding Summary:* The *OMB Compliance Supplement* states that non-Federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act), a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or

subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Certain certified payrolls were not submitted weekly as required and in certain instances, there was no documentation of timely follow up with contractors to support efforts to ensure future reports would be submitted weekly as required.

The Nevada Department of Transportation (the Department) did not have adequate internal controls to ensure that timely follow up with the contractor was performed when the required certified payrolls were not received weekly as required.

Noncompliance with the Wage Rate Requirements by a contractor or subcontractor could occur and not be detected or followed up on by the Department in a timely manner.

A nonstatistical sample of five out of 18 prime contractors was selected for testing, representing 396 weekly payrolls. Although all certified payrolls were received, 89 payrolls were not submitted weekly as required. For 13 of the payrolls that were not submitted weekly, there was no documentation of follow up with the contractors.

*State's Response:*

On February 15, 2017, the Department of Transportation revised Policy Memo 15-01 relative to certified payroll due date. Payrolls and non-performance payrolls must be entered into LCPtracker within fourteen (14) calendar days of the week ending date. No additional calendar days are allowed for payrolls with week ending dates falling on Saturday, Sunday or a holiday.

This change is reflected in the 2017 Certified Payroll and Compliance Manual, which supersedes the 2015 and 2016 editions.

This change was also reflected in two Contractor Bulletins (February 22, 2017 and March 15, 2017).

Statewide training was conducted in April 2017 for NDOT, contractor and consultant personnel.

Resident Engineers review payrolls in LCPtracker on a weekly basis and notify the contractor in writing of late or missing payrolls. Contract Compliance also conduct monthly reviews for late payrolls and confirms that the Resident Engineer has sent a letter to the contractor.

Since the audit finding and implementation of the new payroll requirements, NDOT has seen considerable improvement in weekly submission of certified payrolls. This a high priority and NDOT is



committed to working closely with contractors and providing additional training as needed to ensure payrolls will continue to be submitted in a timely manner.

On September 18, 2017, NDOT hired two temporary employees to perform an internal audit verifying certified payrolls are being submitted timely and to provide additional training as required.

We continue to train new Resident Engineers at the annual Resident Engineers Academy held January 22 – 26, 2018, and the Director also addressed the issue at the RE Academy and at the annual Resident Engineers meeting on February 6, 2018. Two temporary employees have trained or provided technical assistance to contractors and subcontractors on the software that NDOT requires for labor compliance (LCPTracker, B2G Now). We are improving compliance but this will be a constant issue demanding attention, given the turnover for contractor's administrative staff and NDOT's Construction Crews. NDOT Contract Compliance staff in HQ have been coordinating the issue with the State Labor Commissioner as well.

*Status:* Not corrected.

**2016-019 U.S. Department of Transportation  
Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205  
Recreational Trails Program, CFDA 20.219**

**Special Tests and Provisions - Quality Assurance Program  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2010

*Finding Summary:* The *OMB Compliance Supplement* states that a State Department of Transportation (DOT) or Local Public Agency (LPA) must have a quality assurance (QA) program, approved by the Federal Highway Administration (FHWA), for construction projects on the National Highway System (NHS) to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State DOT, or by its designated agent, excluding the contractor.

Certain required tests related to the QA program were not performed.

Due to the long term nature of construction contracts, corrective action implemented in previous fiscal years may not have occurred early enough to impact projects completed in the current fiscal year. Therefore, the Nevada Department of Transportation (the Department) did not have

adequate internal controls at the time the projects tested were underway to ensure that all required tests were performed as prescribed by the quality assurance program.

Noncompliance with the quality assurance program could result in construction project deficiencies not being identified in a timely manner.

A nonstatistical sample of four out of 20 Federally funded construction projects completed during the year was selected for testing. Certain required tests were not performed for three of the four projects tested.

*State's Response:* The Construction Division is adopting the performance measure approach to determine a satisfactory acceptance level for testing frequency. Policies and Procedures for contract administration are set and defined by the Construction Division's Construction Manual. The Construction Manual has been overhauled and now includes the appropriate language to address testing frequencies:

“Performance Measures. The Construction Division is responsible for reporting performance on construction contracts in the following areas:

Budget: Projects completed within 10 percent of original programmed budget

Contract Modifications: Projects completed with cost increase of less than 3 percent in Contract Modifications

Schedule: Projects completed within 10 percent of original assigned working days

Construction Engineering: Projects completed at or below the budget cost

Testing Frequencies: Projects completed within 10 percent of minimum required frequencies

Overall Target: 80 percent of Projects completed within budget, schedule, Contract Modification, construction engineering and testing frequency measures”

By implementing a Performance Measure approach to meeting testing frequencies, the Department will achieve compliance with federal regulations.

The overhauled Construction Manual was completed in May 2017 and is currently under review. The Construction Manual will be approved by the Federal Highway Administration and implemented by November 1, 2017.

*Status:* Corrected.

**2016-020:**

**U.S. Department of Education  
Title I Grants to Local Educational Agencies, CFDA 84.010**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:*

2015

*Finding Summary:*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Pass-through entities monitor the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

The Nevada Department of Education (the Department) did not monitor the activities of a subrecipient.

The Department did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

Noncompliance at the subrecipient level may occur and not be detected by the Department.

A nonstatistical sample of four out of 18 subawards was selected for testing. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 60 pass-through payments to subrecipients and none of the payments identified the CFDA number.

No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed.

A nonstatistical sample of four out of 18 subrecipients was selected for testing. The activities of one of the four subrecipients was not monitored.

*State's Response:*

The Department of Education (NDE) began including certain required information at the time of sub-awards, including CFDA numbers on checks February 2017. NDE has set up all non-district entities outside of school districts that receive pass-through Title I, part A awards in the ePage grants management starting in FY18 in a manner similar to IDEA Special Projects or NSHE Board of Regents entities. NDE is in full compliance with this corrective action.

NDE evaluated expenditure reporting and compliance monitoring through our State's eNOTE desktop monitoring system for non-district entities receiving Title I, part A awards. A "Title I Contract-Special Projects" monitoring instrument was set up to monitor sub-recipients receiving Title I awards for the 2016-2017 fiscal year. University of Nevada, Reno, Board of Regents (UNR), was assigned to this instrument. Both compliance indicators and required proof of evidence documentation was reviewed and evaluated by the NDE Title I team. On March 3, 2017, the entity received an evaluation report that indicated the sub-recipient was in compliance with sub-grant requirements. NDE is in full compliance with this corrective action.

UNR staff submitted a self-review, which included the submission of activity and general ledger proof of evidence reports into the eNOTE desktop monitoring instrument on January 3, 2017. On March 3, 2017, the entity received a monitoring evaluation report that indicated the sub-recipient met compliance requirements. Title I, part A expenditures were initially awarded to UNR to help support activities at the Mega Conference, hosted by the NDE. The content area presented at this conference is applicable to all diverse learners, including students with disabilities, children in poverty, and those with language and cultural differences. Mega also features Nevada schools that show success and improvement such as Title I Distinguished, Blue Ribbon, and Reward Schools. Title I and other NDE team members attend Mega conference onsite annually. All general ledgers and activity reports proof of evidence requests matched the initial award approved by NDE Title I Director. NDE is in full compliance with this corrective action.

*Status:*

Partially corrected.

**2016-021:**

**U.S. Department of Education  
Title I Grants to Local Educational Agencies, CFDA 84.010  
Special Education Cluster:  
Special Education-Grants to States, CFDA 84.027  
Special Education-Preschool Grants, CFDA 84.173**

**Matching, Level of Effort, Earmarking  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:*

The OMB Compliance Supplement provides that earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities.

The Nevada Department of Education (the Department) could not provide support that the earmarking requirements were met.

The Department did not have internal controls in place to monitor expenditures to ensure compliance with earmarking requirements. The Department may not have expended funds appropriately.

*State's Response:*

Prior to state fiscal year 2016, the Department received technical assistance from the U.S. Department of Education to create an allocation procedure to ensure earmarking requirements were met for Title I programs. These procedures were designed to align with the OMB Compliance Supplement, including hold harmless thresholds.

Once allocations and associated earmarks are calculated using the aforementioned procedures (e.g. 95% for aid to schools, 4% for school improvement, 1% for state-level activities and administrative costs), these amounts are entered into the ePAGE system (electronic Plans, Applications, Grants and Expenditures) and appropriate access is provided to local education agency (LEA) grant staff. Requests for funds and final financial reports are processed via ePAGE.

For fiscal year 2017, GL ledgers are being uploaded with each payment to an LEA. Monthly budget monitoring will be conducted by the Department's Business and Support Services staff to reflect the descending balance of each sub-grant award throughout the course of the year, beginning on March 1, 2017. This monthly budget monitoring will ensure that ePAGE and DAWN match, and will further ensure that earmarks are accounted for separately to adhere to the 2016 OMB Compliance Supplement requirements. A "checkbook" has been

developed and is currently implemented showing a more complete breakout system of expenses related to earmarking.

*Status:* Corrected.

**2016-022:** **U.S. Department of Education**  
**Title I Grants to Local Educational Agencies, CFDA 84.010**  
**Special Education Cluster:**  
**Special Education-Grants to States, CFDA 84.027**  
**Special Education-Preschool Grants, CFDA 84.173**

**Allowable Costs/Cost Principles**  
**Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Initial Fiscal Year*  
*Finding Occurred:*

2015

*Finding Summary:*

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, costs must be adequately documented.

Amounts charged to the Federal program for subrecipient payments were not adequately documented.

The Nevada Department of Education (the Department) did not have internal controls in place to ensure amounts charged to the Federal program were adequately documented. The Department could be making payments to subrecipients for unallowable costs.

A nonstatistical sample of 60 out of 184 payments to subrecipients was selected for testing for Title I Grants to Local Education Agencies. A nonstatistical sample of 60 out of 229 payments to subrecipients was selected for testing for the Special Education Cluster. The Department did not maintain adequate documentation to support any amounts paid to subrecipients

*State's Response:*

NDE was planning to collect all receipts for each request for funds from an entity. This proved to be extremely cumbersome, and entities were unable to comply with this request due to the volume of paperwork that would be required.

In February 2017, NDE changed the requirement for sub-recipients to send their general ledger for each request for funds instead of receipts. NDE requested all entities to send general ledgers back to July 1, 2016.

The analysts in the Grants Unit will verify these ledgers for the entire 2017 fiscal year. NDE is in full compliance with this corrective action.

*Status:* Not corrected.

**2016-023: U.S. Department of Education  
Title I Grants to Local Educational Agencies, CFDA 84.010  
Special Education Cluster:  
Special Education-Grants to States, CFDA 84.027  
Special Education-Preschool Grants, CFDA 84.173**

**Cash Management  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:* The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which define the Cash Management Improvement Act of 1990, as amended (Pub.L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

Adequate documentation was not available to support compliance with the cash management requirements of the *OMB Compliance Supplement* or that funds were drawn using the funding technique specified in the Treasury-State Agreement, where applicable.

The Nevada Department of Education (the Department) did not have internal controls in place to ensure adequate supporting documentation was maintained for Federal cash draws.

Inaccurate Federal cash draws may be submitted, the incorrect amount of Federal funds may be received, and the appropriate funding technique per the Treasury- State Agreement may not be followed.

A nonstatistical sample of three out of 14 Federal cash draws was selected for testing for Title I Grants to Local Education Agencies and a nonstatistical sample of four out of 16 Federal cash draws was selected for testing for the Special Education Cluster. Adequate supporting

documentation was not available for any of the Federal cash draws selected for testing.

*State's Response:* NDE did not have enough staff assigned to the control of backup documentation to support all draws. NDE is currently training the Grant's Unit, who may utilize seven employees, to uniformly track each of their grants, so the analysts doing the draws will have all available information to attach and save with each individual draw. NDE has also implemented a back-up system, so grant backup documentation will be much less likely to be lost once saved to a server.

Additionally, NDE is currently changing the accounting office process of finalizing payments every day to only on Monday and Tuesday, so the draws can be done weekly for each grant needed. The draws will occur within the 3-4 day clearance pattern to match the appropriate funding technique per the Treasury-State Agreement. As of October 1, 2017, NDE only approves payments on Monday and Tuesdays, and draws are prepared on Thursdays and Fridays.

*Status:* Not corrected.

**2016-024: U.S. Department of Education  
Special Education Cluster:  
Special Education-Grants to States, CFDA 84.027  
Special Education-Preschool Grants, CFDA 84.173**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Initial Fiscal Year  
Finding Occurred:* 2015

*Finding Summary:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.



Pass-through entities monitor the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

The Nevada Department of Education (the Department) did not monitor the activities of certain subrecipients.

The Department did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

Noncompliance may occur at the subrecipient level and not be detected by the Department.

A nonstatistical sample of six out of 20 subawards was selected for testing. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 60 pass-through payments to subrecipients and none of the payments identified the CFDA number.

No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed.

A nonstatistical sample of six out of 20 subrecipients was selected for testing. The activities of three of the six subrecipients was not monitored.

*State's Response:*

On July 8, 2016, in correspondence to Mr. Charles Kniseley and Ms. Hannah Hodel at the U.S. Department of Education, the NDE updated its progress implementing the CAP, and refined its CAP to state that rather than using the eNOTE Tracker system, a more effective system for program monitoring would entail formalizing the set-aside sub-grant application process by requiring that specific items be addressed in an IDEA Sub-grant Application and an IDEA Final Project Report. Examples of the revised application and Final Project Report forms and completed examples were provided to the U.S. Department of Education.

In addition, the NDE stated that it would incorporate a series of checklists into the ePAGE system to ensure that all requirements for LEA entitlement funding as well as for set-aside funding have been verified/approved prior to approval of sub-grant awards. The draft content included, for state set-aside recipients, quarterly contact the sub-recipients

to monitor that funded projects are being implemented according to approved applications. The ePAGE system would also allow sub recipients to upload evidentiary documents and/or responses to requests for additional information or documentation. A draft of checklists was provided to the U.S. Department of Education.

On September 1, 2016, in follow-up correspondence to Mr. Charles Kniseley and Ms. Hannah Hodel at the U.S. Department of Education, the NDE provided update with an example of the ePAGE checklists.

In March 2016, because FY 2016 was nearly completed at the time of the FY 2015 audit findings were finalized and the CAPS were accepted, full CAP implementation for FY 2016 was not feasible prior to the end of the fiscal year. As of September, 2017, the NDE implemented the Corrective Actions (as refined in July 2016), and the audit for FY 2017 is expected to demonstrate that the NDE resolved all findings.

*Status:* Not corrected.

**2016-025: U.S. Department of Education  
Rehabilitation Services Vocational Rehabilitation Grants to States,  
CFDA 84.126**

**Eligibility  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year  
Finding Occurred:* 2014

*Finding Summary:* The OMB Compliance Supplement requires that the State Vocational Rehabilitation agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time;  
or

The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

Eligibility determinations were not made within 60 days and no exceptional or unforeseen circumstances existed.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure that eligibility determinations occurred within the required time frame.

Benefits may not have been provided to eligible individuals within a reasonable time.

A nonstatistical sample of 12 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. For two of the 12 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met. For one of the 12 individuals selected for testing, the applicant was enrolled in a trial work experience; however, not within 60 days from the application submission.

*State's Response:*

As of March 8, 2018, Nevada DETR's responses are as follows:

- All staff will be directed to continue to monitor Aging Reports generated by the case management system to track eligibility determinations and due dates for compliance.
- Training on eligibility timelines and lawful expectations will be provided by our internal Training Officer on 4/11/18 & 4/17/18 statewide.
- Internal Training Officer will also provide training to staff throughout the year on process, procedure and compliance to improve program performance in this area.
- QA team will provide targeted technical assistance with counseling teams for review of cases and review of policy expectations regarding eligibility.
- Update of case management system (see updated timeline for implementation) which will have integrated internal controls assisting the counselor in making timely eligibility determinations.
- Requirement of District Managers to submit to Chief weekly stats of those cases identified as pending 45 days to eligibility and those cases that will be given an extension with associated justification.
- Zero tolerance for any cases found to be out of compliance. Responsible staff will receive progressive discipline.

Administration remains committed to stricter consequences for non-compliance. In this past year, numerous Letters of Instruction have been delivered for every late eligibility identified. As a best practice, supervisors and Rehabilitation Counselor IIIs will be required to run the Aging Reports in our case management system every week to monitor and address with staff, as needed, regarding required timeframes. Their documentation of progress for compliance and any late action will be reported directly to the Bureau Chief for progressive disciplinary action.

Lastly, with the Spring 2019 implementation of the new AWARE case management system, there will be increased automatic internal prompts for Certificate of Eligibility completion and compliance.

#### Nevada DETR's Response – March 2017

As of March 2017, the State of Nevada, DETR Rehabilitation Division had issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors and Rehabilitation Counselor IIIs are running the Aging Report in our case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General's office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exception to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. Lastly, the Quality Assurance (QA) team conducts a case review and addresses the issue of Eligibility in 60 days three times per year and an Eligibility targeted review each January, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload) .

NOTE: However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and all of the cases that were found out of compliance and for which the Division

received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its Corrective Action Plan (CAP) from the previous year's single audit. (The CAP was implemented between March 7, 2016 and May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

The Division will continue to provide training and coaching to all Rehabilitation Counselors, and Rehabilitation Technicians, new and experienced, regarding the importance of meeting this eligibility requirement timeframe.

Consequences leading up to disciplinary action will continue to be in place and enforced for exceptions.

The Division will continue to direct all staff to monitor the aging reports in RAISON, our case management system, to track eligibility determination due dates for compliance. As a best practice Supervisors and Rehabilitation Counselor IIs will run the Aging Report every week to two weeks to monitor staff.

The Division will work with our Business Process Analyst II and IT Programmer to determine whether it is feasible to add any new enhancement to our case management system to prompt staff 30 days prior to an eligibility determination due date.

\* It should be noted that the Division has included in their new budget a request for a new case management system. If the Alliance Case Management System, RAISON, is approved by the legislature, then we anticipate that the new system will have some additional prompts, checks and balances in place to assist Counselors in making timely eligibility determinations. It is anticipated that a new system could be in place by May of 2019.

The Division has requested permission to hire a new position; Training Officer. This incumbent's sole responsibility will be to train staff on process, procedure, compliance and self-evaluation to improve program performance. This position will be supervised by the Quality Control Specialist II. It is anticipated that this position may be approved for a July 1, 2017 hire.

It is our goal to have 100% compliance in this element.

Updated U.S. DOE-RSA Response as of July 2017  
Nevada DETR's corrective action plans for findings 2016-025 through 2016-027 are related.

BASED ON THE ACTIONS TAKEN BY DETR AND THE LACK OF QUESTIONED COSTS, THIS FINDING IS CLOSED ADDITIONAL INFORMATION /DOCUMENTS REQUESTED BY DOE-RSA AS OF APRIL 6, 2017 ARE AS FOLLOWS:

1. Please submit a copy of the training agendas for March and April 2016.
2. Please provide a copy of the most recent Aging Report.

DETR's response is that copies of more recent training agendas are attached for January, March and April 2017 (Attachments A1, A2 & A3). The Single Audit findings have been and are discussed in every staff meeting and will be fully documented going forward. In addition, a copy of the most recent Aging Report (Attachment B) is also attached for your review/acceptance.

Updated U.S. DOE-RSA Response as of July 2017

Nevada DETR's corrective action plans for findings 2016-025 through 2016-027 are related.

Based on the actions taken by DETR and the lack of questioned costs, this finding is closed.

*Status:* Not corrected.

**2016-026: U.S. Department of Education  
Rehabilitation Services\_Vocational Rehabilitation Grants to States,  
CFDA 84.126**

**Eligibility**

**Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2015

*Finding Summary:*

The *OMB Compliance Supplement* provides that the State may choose to consider the financial needs of eligible individuals, or individuals who are receiving services during a trial work experience or an extended evaluation, for the purpose of determining the extent of their participation in the cost of Vocation Rehabilitation (VR) services. If the State indicates in its State Plan that it will use financial needs tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances.

The Nevada Department of Employment, Training and Rehabilitation Participant Services Policy and Procedures Manual provides that participants, who are not otherwise exempt, are expected to participate in the cost of Individualized Plan for Employment (IPE) services and non-assessment services provided as part of Trial Work Experience(s) Plans, Extended Evaluation Plans or Post Employment Plans. The financial

participation form must be completed and signed by the counselor and participant prior to obtaining IPE signatures or trial work plan or postemployment plan signatures.

Financial participation forms were not completed and signed by the counselor and participant.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure that financial needs tests were applied uniformly in accordance with its written policies.

Participants receiving VR services may be contributing to the cost of their services when not required to do so, due to meeting the financial needs exemption guidelines.

A nonstatistical sample of 12 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. For three of the 12 individuals selected for testing, no financial participation form was completed and signed by the counselor and participant.

*State's Response:*

As of March 8, 2018, Nevada DETR's responses are as follows:

- All financial participation screens were completed in the electronic case management system. However, staff have been remiss on completing/capturing the physical form with signatures.
- Training on allowable accurate completion of financial participation forms, including the importance of scanning completed forms into the case management system, will be provided by our internal Training Officer on 4/11/18 & 4/17/18 statewide.
- Internal Training Officer will also provide training to staff throughout the year on process, procedure and compliance to improve program performance in this area.
- QA team to provide targeted technical assistance with counseling teams for review of cases and review of policy expectations regarding documentation of financial participation forms per the federal regulations.
- Effective 11/1/2017 VR amended our Policy and Procedures Manual, (Section 7 page 4-step 2.b.). As a result of the change, Rehabilitation Counselors will no longer need to check the "meets financial needs box." This specific, and internally imposed inclusion of the "meets financial needs box," is not a federal requirement and is not found in the federal regulations. Therefore, it has been removed from our Policy.

Nevada DETR's Response – March 2017

As of March 2017, the State of Nevada, DETR Rehabilitation Division had issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and

in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Rehabilitation Supervisors and Counselors Ills review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exception to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. The Quality Assurance (QA) team conducts a case review and addresses the issue of Reporting and Tracking Financial Participation three times per year and Case Documentation and Case and Financial Management Review each July, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

NOTE: However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and all of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its Corrective Action Plan (CAP) from the previous year's single audit. (The CAP was implemented between March 7, 2016 and May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

As a result of this finding from last year's audit the Division submitted a request to DETR IT for a RAISON enhancement. This request made in May 2016, would prompt counselors to check the "Meets Financial Needs" box. This enhancement was created and implemented later in 2016. Since that time administration has gone a step further and requested an additional enhancement. Work Order #67174 was deployed on December 30, 2016. Currently when a Counselor saves a new IPE, a pop-up message reads, "REMINDER: Counselors, please ensure that the Financial Participation form has been completed and the financial tab of the Application form is updated accordingly." The Division feels that this stronger and more clearly stated reminder will be effective in correcting this finding.

The Division will continue to monitor and train staff to address this important deficiency.

The importance of completing the financial participation form will be stressed in our New Counselor Academy with our Rehabilitation Technician training to ensure accurate and timely completion.



The Division has requested permission to hire a new position; Training Officer. This incumbent's sole responsibility will be to train staff on process, procedure, compliance and self-evaluation to improve program performance. This position will be supervised by the Quality Control Specialist II. It is anticipated that this position may be approved for a July 1, 2017 hire.

Estimated Date of Completion: May 1, 2017 - Ongoing training will continue throughout the year.

UPDATED NEVADA DETR'S RESPONSE AS OF APRIL 2017.  
Additional information /documents requested by DOE-RSA as of April 6, 2017 are as follows:

1. Please submit a copy of the training agendas for March and April 2016.
2. Please provide a copy of the most recent Aging Report.

DETR's response is that copies of more recent training agendas are attached for January, March and April 2017 (Attachments A1, A2 & A3). The Single Audit findings have been and are discussed in every staff meeting and will be fully documented going forward. In addition, a copy of the most recent Aging Report (Attachment B) is also attached for your review/acceptance.

Updated U.S. DOE-RSA Response as of July 2017.  
Nevada DETR's corrective action plans for findings 2016-025 through 2016-027 are related.

Based on the actions taken by DETR and the lack of questioned costs, this finding is closed.

*Status:* Not corrected.

**2016-027: U.S. Department of Education  
Rehabilitation Services\_Vocational Rehabilitation Grants to States,  
CFDA 84.126**

**Special Tests and Provisions – Completion of IPEs  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year  
Finding Occurred:* 2015

*Finding Summary:* The *OMB Compliance Supplement* requires that when an Individualized Plan for Employment (IPE) is required for the provision of Vocational Rehabilitation services under Section 103(a) of the Rehabilitation Act of 1973, as amended, it must be done as soon as possible, but not later than 90 days after the date of determination of eligibility by the State Vocational Rehabilitation agency, unless the State Vocational

Rehabilitation agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed.

Certain required IPEs were not done within 90 days after the date of determination of eligibility.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure participants' IPEs were completed and performed timely.

Vocational Rehabilitation participants may not be receiving benefits under their IPEs in a timely manner.

A nonstatistical sample of 15 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. Out of 15 IPEs tested, we noted two instances where IPEs were performed later than 90 days and one instance where an IPE was required, but was not completed.

As of March 2017, the State of Nevada, DETR Rehabilitation Division had issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors and Rehabilitation Counselor IIIs are running the Aging Report in our case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General's office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exception to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. The QA team conducts a case review and addresses the issue of completing IPE within 90 days three times per year and Assessment of Rehabilitation Needs (AVRN/IPE targeted review each March, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

NOTE: However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and all of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its Corrective Action Plan (CAP) from the previous year's single audit. (The CAP was implemented between March 7, 2016 and May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

The Division will continue to provide training and coaching to all Rehabilitation Counselors, new and experienced, regarding the importance of meeting the requirement of developing an IPE 90 days after the date of determination of eligibility.

Consequences leading up to disciplinary action will continue to be in place and enforced for exceptions.

The Division will continue to direct all staff to monitor the aging reports in RAISON, our case management system. Staff will track due dates for the development of IPEs within 90 days after the date of determination of eligibility or documentation of an extension. As a best practice Supervisors and Rehabilitation Counselor IIIs will run the Aging Report every week to two weeks to monitor staff.

It should be noted that the Division has included in their budget a request for a new case management system. If the Alliance Case Management System, RAISON, is approved by the legislature, then we anticipate that the new system will have some additional prompts in place to assist Counselors in developing timely IPEs within 90 days of eligibility determination. It is anticipated that a new system could be in place by May of 2019.

The Division has requested permission to hire a new position; Training Officer. This incumbent's sole responsibility will be to train staff on

process, procedure, compliance and self-evaluation to improve program performance. This position will be supervised by the Quality Control Specialist II. It is anticipated that this position may be approved for a July 1, 2017 hire.

It is our goal has 100% compliance in this element.

UPDATED NEVADA DETR'S RESPONSE AS OF APRIL 2017.

Additional information /documents requested by DOE-RSA as of April 6, 2017 are as follows:

Please submit a copy of the training agendas for March and April 2016.

Please provide a copy of the most recent Aging Report.

DETR's response is that copies of more recent training agendas are attached for January, March and April 2017 (Attachments A1, A2 & A3). The Single Audit findings have been and are discussed in every staff meeting and will be fully documented going forward. In addition, a copy of the most recent Aging Report (Attachment B) is also attached for your review/acceptance.

Updated U.S. DOE-RSA Response as of July 2017.

Nevada DETR's corrective action plans for findings 2016-025 through 2016-027 are related.

Based on the actions taken by DETR and the lack of questioned costs, this finding is closed.

*Status:* Not corrected.

**2016-028: U.S. Department of Education  
Rehabilitation Services\_Vocational Rehabilitation Grants to States,  
CFDA 84.126**

**Reporting  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*

*Finding Occurred:* 2016

*Finding Summary:* The audit objectives of the OMB Compliance Supplement specify that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.

Expenditure amounts included on the RSA-2 report (Annual Vocational Rehabilitation Program/Cost Support) did not agree to the State's underlying accounting records.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure that expenditure amounts included on the RSA-2 report were supported by underlying accounting records.

Incorrect information may have been submitted on the RSA-2 report.

*State's Response:*

The Nevada DETR uses the U.S. Department of Education, Office of Special Education and Rehabilitative Services' Policy directive RSA-PD-14-02 as DETR's Financial Management's (FM) policy for producing the RSA-2 annual report. Expenditure information is compiled from two Budget Accounts, B/A 3254, Bureau of Services to the Blind (BSB) and B/A 3265, Bureau of Vocational Rehabilitation (BVR). The Amounts on this report reflect Federal and State expenditures for the 12 month Federal Fiscal Year, the report is supported by a spreadsheet with detailed accounting records that identify the expenditures using job numbers previously established. The aforementioned spreadsheet showed two transactions not coded or without the identifier job number and consequently, these transactions were inadvertently omitted on the RSA-2 report period ending September 30, 2015.

The process has been revised to ensure that expenditures without the identifying job numbers are researched to determine if they should be part of the RSA-2 report. We have instituted clearer calculations and check figures in the spreadsheet to ensure that the underlying accounting records are more identifiable and correctly reported on the RSA-2. Additionally, we will be writing procedures to supplement the U.S. Department of Education, Office of Special Education and Rehabilitative Services Policy directive RSA-PD-14-02.

Updated Nevada DETR's Response as of April 2017.

Additional information /documents requested by DOE-RSA as of April 6, 2017 are as follows:

If you agree with the auditor's figures for the RSA-2 please contact your fiscal liaison and request the RSA-2 be re-opened for audit corrections.

Please provide a copy of the supplemental written procedures mention in the audit.

Please provide a copy of the spreadsheet used in the RSA-2 process.

DETR 's response is that DETR Vocational Rehabilitation (VR) Division staff have contacted DOE-RSA staff (on April 12 & 19, 2017- per Attachment C) to inquire about re-opening up the RSA-2 module so that revisions can be made. No responses have been received from RSA staff as yet.

DETR VR staff have provided the revised written procedures you requested-see Attachment D. DETR VR staff have provided a copy of the current RSA-2 spreadsheet (subject to revision) - see Attachment E.

Updated U.S. DOE-RSA Response as of July 2017.  
Based on the actions taken by DETR and the corrected RSA-2, this finding is closed.

*Status:* Corrected.

**2016-029: U.S. Department of Education  
Rehabilitation Services\_Vocational Rehabilitation Grants to States,  
CFDA 84.126**

**Reporting  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* The OMB Compliance Supplement specifies data elements from the Case Service Report (RSA-911) that contain critical information. These data elements include the date of Individualized Plan for Employment (IPE).

IPE dates reported on the RSA-911 report were not supported by the Vocational Rehabilitation database, RAISON.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure that critical data elements included on the RSA-911 report, including the date of IPE, were supported by the data in RAISON.

Incorrect information may have been submitted on the RSA-911 report.

A nonstatistical sample of 40 out of 3,109 individuals included on the RSA-911 report was selected for testing. Of the 40 individuals tested, we noted three instances where the date of IPE per the report did not match the date of the IPE per RAISON.

*State's Response:* As of March 2018, the following corrective actions apply:

Nevada Vocational Rehabilitation agrees with this finding. Dates in the case management system should match the dates on the signed signature pages.

- Training will be provided to staff to reinforce the importance of not assigning start dates on plans until they are in the presence of the client to provide signature on the printed signature page. Then staff must submit that document to the scanning department to record the

document in their next run. Some of these instances occur when rural or remote staff is working in the field and have no access to the internal case management system and printers.

- In the new case management system, going online in Spring 2019, all staff will have the ability to access the system from a laptop/tablet and secure client signature on plans during face to face meetings.
- An email was sent to the two regional District Managers highlighting lessons learned from the audit;

**Copy of Email**

**From:** Mechelle Merrill

**Sent:** Wednesday, February 28, 2018 12:59 PM

**To:** Mathew Dorangricchia; Kim Cantiero

**Cc:** Janice John

**Subject:** lessons learned from the audit

Please share these lessons learned from the recent audit with our staff:

- We are doing a poor job of making sure that every single signature page is put through scanning into Raison.
- Many IPE signature pages were missing in case docs
- Many times the dates on the signature pages are not the same date as the signature start date in Raison
- We can't be using IPE's as proof of disability, unless they are signed by the school psychologist. Even if it says "autism" we can't just accept that without a signature or other medical documentation.
- If we do an eligibility extension, we must note that in a case note and scan the signed paper into Raison. Extensions don't show on Raison reports, so we must be able to easily find them.

Mechelle Merrill MS, CRC, CPM  
Bureau Chief  
State of Nevada  
Bureau of Vocational Rehabilitation

*Status:* Not corrected.

**2016-030: U.S. Department of Education  
Rehabilitation Services\_Vocational Rehabilitation Grants to States,  
CFDA 84.126**

**Procurement, Suspension, and Debarment  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under federal awards.

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required.

The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions.

Contractors may not be aware of required terms and conditions.

A nonstatistical sample of three contracts subject to Appendix II to Part 200 was selected for testing. None of the contracts contained all of the applicable provisions.

*State's Response:* As of March 2018, the Department of Employment, Training and Rehabilitation (DETR) contacted the Attorney General's Office to advise of the additional provisions required under Appendix II to Part 200 of the Uniform Guidance for non-Federal entity contracts under Federal award. The State of Nevada contracts need to include the additional provisions to comply with Uniform Guidance.

The State of Nevada has not managed to complete an overall acceptable format change to the "standard" contract template. Therefore, DETR will provide an attachment to the contracts to include the required provisions required under Appendix II to Part 200 of the Uniform Guidance. Please see the proposed attachment which will be included in DETR written contracts.

DETR Response as of March 2017

As of March 2017, the Financial Management (FM) Bureau has contacted the Attorney General's Office to provide advice concerning the additional provisions required under Appendix II to Part 200 of the Uniform Guidance for non-Federal entity contracts under the Federal award.

The State of Nevada contracts need to include the additional provisions to comply with the Uniform Guidance.

The Attorney General's Office will work with DETR to implement the best approach for enhancing internal controls for ensuring all contracts under federal awards contain the applicable provisions. In addition, based upon this implementation, the applicable contracts and provider agreements will be amended as they expire and are up for renewal.



Updated Nevada DETR's Response as of April 2017

Additional information /documents requested by DOE-RSA as of April 6, 2017 are as follows:

Please provide a copy of the three corrected contracts identified by the auditors.

What enhancements of internal controls were implemented for this finding?

DETR Financial Management's (FM) response is that the contracts in question are considered statewide contracts and must be processed/ corrected by the State Purchasing Office and approved by the Nevada Attorney General's Office. This process has been initiated and per the Attorney General assigned to this case, meetings have been held with Purchasing Office staff and the State Audit Office and all parties are currently working on a plan to incorporate the applicable provisions of federal law in appropriate State contracts. While no deadline date for completion was provided, DETR FM staff estimates this process should be completed by July 31, 2017.

From a statewide perspective, internal controls over contracts (at the State Purchasing Office and the Attorney General's Office) will be increased as the improved contract procedures become implemented.

Updated U.S. DOE-RSA Response as of July 2017

As part of RSA's close out of the FY 2015 award in August 2017, RSA will request an updated status on this activity from DETR.

Based on the actions taken by DETR and the lack of questioned costs, this finding is closed.

Updated Nevada DETR's Response as of September 2017

Nevada DETR (along with all other state agencies) are awaiting the revised contract provisions currently being developed by the Nevada Attorney General's (AG) Office and the State Purchasing Office. As of September 27, 2017, the Nevada AG's Office indicated they were "still working on it". An estimated completion date was not provided.

*Status:*

Not corrected.

**2016-031:**

**U.S. Department of Health and Human Services**

**TANF Cluster:**

**Temporary Assistance for Needy Families (TANF), CFDA 93.558**

**Allowable Costs/Cost Principles**

**Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that the State public assistance agencies will develop, document and implement, and the Federal Government will review, negotiate, and approve, public assistance cost allocation plans in accordance with Subpart E of 45 CFR Part 95. The plan will include all programs administered by the state public assistance agency. Where a letter of approval or disapproval is transmitted to a state public assistance agency in accordance with Subpart E, the letter will apply to all Federal agencies and programs.

Administrative costs were not allocated to the Federal program in accordance with the approved cost allocation plan.

The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure costs were allocated in accordance with the cost allocation plan.

The program was charged incorrect amounts for administrative costs.

A nonstatistical sample of one out of the five cost allocations prepared during the fiscal year was selected for testing. Two calculation errors were noted that resulted in administrative costs not being allocated in accordance with the approved cost allocation plan.

*State's Response:* Procedures were updated and additional supervisor review of the quarterly cost allocation takes place to ensure data entry is accurate and follows the approved cost allocation plan process. The Chief Accountant provided training to the Accountant III, Administrative Services Officer II, Management Analyst III and Management Analyst II in January 2017.

*Status:* Corrected.

**2016-032: U.S. Department of Health and Human Services  
TANF Cluster:  
Temporary Assistance for Needy Families (TANF), CFDA 93.558**

**Cash Management  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs. The terms of the Treasury-State Agreement specify that the EBT Payments component of the Temporary Assistance for Needy Families program use the estimated clearance funding technique, which requires that funds are requested and deposited in accordance with the clearance pattern specified in Exhibit II of the Agreement.

Federal funds related to EBT Payments were not drawn using the estimated clearance funding technique.

The Nevada Division of Welfare and Supportive Services (the Division) did not have internal controls in place to ensure that funds were drawn using the required funding technique.

Incorrect amounts of Federal cash may be received and an interest liability could result.

A nonstatistical sample of 13 out of 87 Federal cash draws made during the fiscal year were selected for testing. Of the 13 Federal cash draws selected for testing, seven were related to EBT Payments and in all seven instances, funds were not drawn using the required funding technique.

*State's Response:* The Division began using the Actual Drawdown method versus Estimated, as this ensures a more accurate draw. The Office of the Controller was notified of the changes needing to be made to the Treasury State Agreement for FY16 and FY17 on February 27, 2017. Controller's staff updated the Agreement and forwarded to DWSS on June 14, 2017.

*Status:* Corrected.

**2016-033: U.S. Department of Health and Human Services  
TANF Cluster:  
Temporary Assistance for Needy Families (TANF), CFDA 93.558**

**Eligibility  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* The *OMB Compliance Supplement* states that any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by

Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. In addition, the audit objectives of the *OMB Compliance Supplement* specify that amounts provided to eligible participants must be calculated in accordance with program requirements.

An eligibility determination was not performed correctly and certain TANF assistance amounts were calculated incorrectly.

The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure eligibility determinations were performed correctly and TANF assistance amounts were calculated correctly.

Ineligible individuals may be receiving TANF assistance and recipients may be paid incorrect amounts.

*State's Response:*

The issues cited have not been identified as trends through regularly reoccurring review processes within the agency. Corrective action since 2016 has shown improvement in the audit findings, however the agency has not hit 100% accuracy, therefore the corrective action plan is adjusted in 2018 to reevaluate the causal factors. Additionally, a 5th level of review will be introduced through our business process post-implementation reviews. Those reviews focus on our business processes which include a sampling of 75 cases, observation of live interviews to ensure scripts are being followed, adherence to workflow, and now a review of the application for completeness. The other levels consist of monthly supervisory reviews, management evaluation reviews, quality assurance reviews, and quality control reviews. Targeted training will be provided by publishing /posting monthly "tips" when a significant issue is found. These tips are sent to all 800+ eligibility workers and serve as reminders of policy and process.

*Status:*

Not corrected.

**2016-034:**

**U.S. Department of Health and Human Services  
TANF Cluster:  
Temporary Assistance for Needy Families (TANF), CFDA 93.558  
Child Care and Development Fund Cluster:  
Child Care and Development Block Grant, CFDA 93.575  
Child Care Mandatory and Matching Funds of the Child Care and  
Development Fund, CFDA 93.596**

**Reporting**

**Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* The audit objectives of the *OMB Compliance Supplement* specify that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.

Expenditures reported on the ACF-196 TANF Financial Reports and ACF-696 Child Care and Development Fund Financial Reports were not supported by the applicable accounting records.

The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure that expenditures reported to the Federal agency were supported by the applicable accounting records.

Inaccurate information may have been reported to the Federal agency.

Nonstatistical samples of one out of four ACF-196 TANF Financial Reports and one out of four ACF-696 *Child Care and Development Fund Financial Reports* were selected for testing. Total expenditures on both reports were not supported by the applicable accounting records.

*State's Response:* Additional instructions have been included in procedures to ensure expenditures are validated by additional supervisor review. Review of the procedures and the CCDF ACF696 workbook with the Accountant III and Chief of Accounting was completed in January 2017. Links were identified in the document that required correction. Review of ACF 196, 202 & 204 procedures by the Administrative Services Officer II and TANF Specialist were completed in January 2017. Procedures were updated to include additional validation of data by Administrative Services Officer II and TANF Specialist for the ACF 196, 202 & 204. The Chief Accountant provided training to the Administrative Services Officer II, Accountant III, Chief of Eligibility and Payments & TANF Specialist in February 2017.

*Status:* Corrected.

**2016-035: U.S. Department of Health and Human Services  
CCDF Cluster:  
Child Care and Development Block Grant, CFDA 93.575  
Child Care Mandatory and Matching Funds of the Child Care and  
Development Fund, CFDA 93.596**

**Subrecipient Monitoring**  
**Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Initial Fiscal Year*  
*Finding Occurred:*

2014

*Finding Summary:*

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires that:

Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Pass-through entities verify every subrecipient is audited as required by Uniform Guidance, issue management decisions for audit findings, as applicable, and ensure the subrecipient takes timely corrective action on all audit findings, as applicable.

Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

The Nevada Division of Welfare and Supportive Services (the Division) and the Nevada Department of Education (the Department) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure the subrecipient took timely corrective action on all audit findings, as applicable.

The Division and the Department did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Noncompliance at the subrecipient level may occur and not be detected by the Division and the Department.

This program had two subrecipients at the Division and both subawards were reviewed. A nonstatistical sample of two out of three subawards was selected for testing at the Department. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 16 out of 101 payments to subrecipients at the Division and five out of 32 payments at the Department and none of the payments included the CFDA number.

No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed at the Division or the Department.

None of the program's subrecipients' audit reports were reviewed for audit findings at the Division or the Department.

*State's Response:* Accounting procedures were updated to include the CFDA number on the remittance advice for all payment vouchers beginning January 31, 2017. Finding 17-27 was a result of the timeframe for the SFY17 audit including time periods prior to corrective action being implemented for finding 16-35.

The sub-grantees are sole source providers that have worked for the program in the same capacity for many years. Multiple reviews at varying levels and single audits have not resulted in findings that indicate they exhibit a risk for non-compliance. Additionally, a self-assessment questionnaire (SAQ) was developed and initiated for sub-grantees to use for evaluating and assessing program compliance requirements. This form assists program staff to identify areas of weakness and address any issues when reviewing for program compliance and was first utilized in September 2016 (SFY17).

At the time of the state audit in early 2017, only one of the sub-grantees had their 2016 audit completed. The other filed their audit within their nine-month filing deadline. Sub-grantee audit filings are (and have been) tracked and reviewed by the budget contract unit, the internal auditor as well as the child care program staff. The reviews of both audits did not uncover findings that warranted a management decision during the SFY16 audit or in the previous audit year. Sub-grantees continue to be monitored in conjunction with weekly/monthly billing claims, onsite reviews and SAQ Assessments.

*Status:* Partially corrected.

**2016-036: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658**

**Allowable Costs/Cost Principles  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2014

*Finding Summary:* The *OMB Compliance Supplement* provides that funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies.

Duplicate payments were made to certain providers.

The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls in place to ensure that foster care providers did not receive duplicate payments.

Unallowable costs were charged to the Federal program.

We selected a nonstatistical sample of 60 providers, which represented approximately 700 months of service. We noted seven duplicate payments to three providers. These duplicate payments represented approximately four months of service.

*State's Response:* The concurrency control has been actively investigated for the past several years, programming and testing has identified that a problem still exists. The problem occurs when a one-day overlap in Service Authorizations exists (causing a one-day overpayment). This has not been an easy programming-fix. One control rule is "do not pay for last day (date of discharge)", which is working perfectly. However service authorization renewals must have continuous dates, as does placement changes so there is not a gap of one-day (causing a one-day underpayment).

The Eligibility Unit will continue to review payments prior to them being issued to catch any improper payments (overpayments or underpayments) due to the concurrency control issues still identified within the old UNITY system Payment Windows. The Fiscal Assignment procedure to address this manual process was implemented in February 2016 and will stay in effect until the automated process is fully programmed.

DCFS Information Management System (IMS) group will have available resources at the start of 2018 to dedicate to the programming necessary to implement a statewide automated process that ensure control and accuracy of payments to foster care providers. The targeted corrected date for this finding is June 30, 2018 provided the user acceptance testing is a success.

*Status:* Not Corrected.



**2016-037: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658**

**Special Tests and Provisions – Payment Rate Setting and Application  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2013

*Finding Summary:* The *OMB Compliance Supplement* provides that Title IV-E agencies establish payment rates for maintenance payments. The Title IV-E agency's plan must provide for periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11)).

There was no provision included in the State's IV-E plan to provide for the periodic review of maintenance payment rates.

The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure its Title IV-E plan provided for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program.

Maintenance payment rates may not be appropriate for the administration of the program.

*State's Response:* The State of Nevada established a statewide workgroup in July 2017 to include its county partners to develop a policy to address Nevada's foster care rates and review requirements based on the process that has been developed. The website has been updated with current rates and will include the new rates and the effective dates once established.

*Status:* Corrected.

**2016-038: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Other  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires that pass-through entities must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by their financial statements that includes the total Federal awards expended, provides the total Federal awards expended for each individual Federal program, and includes the total amount provided to subrecipients from each Federal program.

Amounts reported on the SEFA did not properly reflect amounts provided to subrecipients.

The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls in place to ensure amounts provided to subrecipients were reported accurately on the SEFA.

Payments to subrecipients initially reported on the SEFA were overstated \$1,037,593 for Foster Care and \$1,623,984 for Adoption Assistance, which required correction on the final SEFA.

*State's Response:* In prior years, subaward payments and payments to providers (foster homes, etc.) were combined on one line of the SEFA. As a result of this finding, they are now on separate lines and the procedure was updated. The affected SEFA was corrected and provided to both auditors and the controller's office on 2/2/17. Internal Control procedures updated on 2/27/17.

*Status:* Corrected.

**2016-039: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Eligibility  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year*  
*Finding Occurred:* 2015

*Finding Summary:* The OMB Compliance Supplement requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

While no instances of noncompliance were noted, there was no discernible evidence that internal controls had been established over eligibility determinations until February 2016.

The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls over eligibility determinations until February 2016.

Inaccurate eligibility determinations may occur, which could lead to unallowable costs being charged to the program.

Nonstatistical samples of 60 out of 301 eligibility determinations in Foster Care and 11 out of 53 eligibility determinations in Adoption Assistance were selected for testing. Of these samples, nine of the Foster Care and three of the Adoption Assistance were prior to February 2016 and did not have discernible evidence of internal controls.

*State's Response:* The Eligibility Determination Reviews procedure was implemented February 23, 2016. The Eligibility Determination review checklist was updated to reflect the "Reviewed By" signature line on January 29, 2018.

*Status:* Not corrected.

**2016-040: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Allowable Costs/Cost Principles  
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2014

*Finding Summary:* The OMB Compliance Supplement provides that a State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. Since cost allocation plans are of a narrative nature, the Federal government needs assurance that the cost allocation plan has been implemented as approved.

Various administrative accounts were not allocated in accordance with Nevada Division of Child and Family Services' (the Division) cost allocation plan. In addition, various allocation statistics were improperly recorded, which impacted the percentages upon which costs were allocated.

The Division did not have adequate internal controls to ensure costs were allocated in accordance with the approved cost allocation plan.

Administrative costs claimed were in excess of the amounts in the approved cost allocation plan.

Foster Care – Title IV-E, CFDA 93.658: \$74,864 (Award #G-1501NVFOST) Adoption Assistance – Title IV-E, CFDA 93.659: \$77,465 (Award #G- 1501NVADPT)

A nonstatistical sample of three out of four quarters was selected for testing.

*State's Response:* The procedure for the quarterly comparison of the Cost Allocation Plan (CAP) narrative was updated and implemented with the 3/31/17 claim (see page 18 of "DCFS Quarterly Cost Allocation"). Training of staff occurred in several sessions and was completed on 5/11/17. Cost allocation was reran for the audit finding as well as updated penetration rates, maintenance payments and an incorrect statistic. See "PQA Modified Form-SFY16 1st Qtr Rural IVE-1 3-28-2017.xlsx".

On the claim for 3/31/17, negative adjustments for the rerun of the FC 9/30/15 quarter in the amount of \$165,032 were reported. This included a negative adjustment to maintenance payments of \$103,358 as well as the adjustments from the rerun of cost allocation. On the claim for 3/31/17, adjustments for the rerun of the AA 9/30/15 quarter in the amount of \$46,888 were reported. This included a positive adjustment of \$116,431 to maintenance payments and a negative adjustment to administrative costs of \$69,544.

No further adjustments will be reported.

*Status:* Corrected.

**2016-041: U.S. Department of Health and Human Services  
Foster Care – Title IV-E, CFDA 93.658  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance and Material Noncompliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires that:

Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Subawards were not issued and the information required by Uniform Guidance was not communicated. In addition, the CFDA number was not identified to the subrecipient at the time of disbursement.

An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

The Nevada Division of Child and Family Services (the Division) did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Noncompliance at the subrecipient level may occur and not be detected by the Division.

The entire population of two subrecipients was tested. In addition, we selected a nonstatistical sample of five payments to subrecipients out of a population of 32 and none of the payments identified the CFDA number.

No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed.

*State's Response:* SFY 2019 subawards will be issued to Clark and Washoe Counties for Title IV-E funding effective July 1, 2018, through June 30, 2019. The subaward includes the elements to be compliant with the Uniform Guidance. The CFDA number is included on each payment voucher effective February 2018 (SFY18). The process for Risk Assessments was finalized on April 1, 2017 for the SFY 2018 subawards. The Risk Assessment process was implemented November 2017 and included an assessment of Clark and Washoe Counties.

*Status:* Not corrected.

**2016-042: U.S. Department of Health and Human Services  
Adoption Assistance – Title IV-E, CFDA 93.659**

**Activities Allowed or Unallowed  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* The OMB Compliance Supplement provides that funds may be expended for adoption assistance subsidy payments made on behalf of eligible children, in accordance with a written and binding adoption assistance agreement.

A subsidy was paid that was not the amount specified in the adoption assistance agreement.

The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure subsidy payments were made for the amount specified in the adoption assistance agreement.

Adoptive parents were paid an incorrect amount.

A nonstatistical sample of 60 adoption assistance agreements out of a population of approximately 470 was selected for testing. We noted the monthly payments under one adoption assistance agreement were not the amount specified in the agreement.

*State's Response:* The Agency has an independent review and approval process by the Eligibility Unit to ensure the paper Adoption Subsidy Agreement matches the electronic payment entry for each new subsidy agreement and annual redeterminations. In-house training session occurred with the Eligibility Unit to reinforce the established Policies, Procedures and Adoption Checklist for each case.

*Status:* Corrected.

**2016-043: U.S. Department of Health and Human Services  
Social Services Block Grant, CFDA 93.667**

**Other  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by their financial statements that includes the total Federal awards expended, provides the total Federal awards expended for each individual Federal program, and includes the total amount provided to subrecipients from each Federal program.

The amounts reported on the SEFA did not properly reflect the total Federal awards expended for this program or the total amounts provided to subrecipients for this program.

The Nevada Department of Health and Human Services Director's Office (the Office) did not have adequate internal controls to ensure that total Federal awards expended for the program and the total amount provided to subrecipients were reported accurately on the SEFA.

Program expenditures initially reported on the SEFA were overstated by \$3,500,687 and the amount provided to subrecipients was understated by \$2,600,862, which required correction on the final SEFA.

*State's Response:* The corrective action was to use transfer GLs when sending funds to other state agencies, while having the receiving agencies use matching job #s.

Anticipated Implementation Date: Implemented by April 1, 2017. For State Fiscal Year 17 all transfers to other state agencies were properly coded using transfer GLs and the correct Job #s. This has been reflected on the SFY 17 Single Audit Certification Form.

*Status:* Corrected.

**2016-044: U.S. Department of Health and Human Services  
Social Services Block Grant, CFDA 93.667**

**Allowable Costs/Cost Principles  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* The *OMB Compliance Supplement* states that the Social Services Block Grant (SSBG) is exempt from the provisions of the OMB cost principles; however, State cost principles requirements apply to SSBG. According to the *State of Nevada Grant Manual*, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and be supported by an internal control system that provides reasonable assurance that charges are accurate, allowable and properly allocated.

Personnel costs were charged to the Federal program without regard to employee time and effort activity.

The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure that personnel costs were charged to the Federal program based on employee time and effort activity.

Unallowable costs could be charged to the Federal program.

*State's Response:* The Federally approved cost allocation plan was received February 2017 to allow for time and effort activities to be tracked and charged for Title XX. The cost allocation plan statistics have been updated to reflect this activity. Cost allocation rerun for the quarters ending 9/30/16 and 12/31/16 and true up to what was earned was completed April 2017.

*Status:* Corrected.

**2016-045: U.S. Department of Health and Human Services  
Social Services Block Grant, CFDA 93.667**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

While no instances of noncompliance were noted, there was no discernible evidence that internal controls had been established to ensure compliance with reporting requirements.

The Nevada Department of Health and Human Services Director's Office (the Office) had no evidence of internal controls in place over the preparation and submission of reports to the Federal agency.

Inaccurate information may be reported to the Federal agency.

A nonstatistical sample of two out of three SF-425 reports was selected for testing. Neither of the reports tested had any evidence of internal controls.

*State's Response:* The corrective action was to implement a procedure for Federal reporting to include a reviewer and submitter.

Anticipated Implementation Date: The procedure was implemented by April 1, 2017.



*Status:* Corrected.

**2016-046: U.S. Department of Health and Human Services  
Social Services Block Grant, CFDA 93.667**

**Subrecipient Monitoring  
Material Weakness in Internal Control over Compliance and Material  
Noncompliance**

*Initial Fiscal Year*

*Finding Occurred:* 2016

*Finding Summary:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The information required by Uniform Guidance was not included in the subawards issued by the Nevada Department of Health and Human Services Director's Office (the Office). Subawards were not issued by the Nevada Division of Child and Family Services (the Division). In addition, the CFDA number was not identified to the subrecipient at the time of disbursement by either the Office or the Division.

An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed at the Division.

The Office and the Division did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Noncompliance at the subrecipient level may occur and not be detected by the Office or the Division.

A nonstatistical sample of two out of six subawards was selected for testing at the Office and none of the subawards included all the information required by Uniform Guidance. The entire population of two subrecipients was tested at the Division and no subawards were issued. In addition, a nonstatistical sample of 40 payments to subrecipients was selected for testing at the Office, and the entire population of three

payments to subrecipients was tested at the Division. None of the payments identified the CFDA number.

No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed at the Division.

*State's Response:* The State issued subgrant awards directly to the entities receiving Title XX funds. DCFS is no longer the pass through to the Counties for Title XX. Subrecipient monitoring will occur at the Agency level, rather than the Division level.

The Department of Health and Human Services will subaward Title XX funds that will follow the Grant Instructions and Requirements and will be added to the on-site review schedule to be monitored and which include Requirements for pass-through entities, 200.331.

Anticipated Implementation Date: Implemented July 1, 2017

*Status:* Not corrected.

**2016-047: U.S. Department of Health and Human Services  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey and Certification of Health Care Providers and  
Suppliers (Title XVIII) Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:* 2016

*Finding Summary:* The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Internal controls at the Nevada Office of the Attorney General (the Office) require that reports are reviewed and approved by an individual independent of the preparation process prior to submission. A Federal Financial Report (SF-425) was prepared and submitted without being reviewed and approved by an individual independent of the preparation process.

The Office did not follow established internal controls to ensure that reports submitted to the Federal agency were reviewed and approved by an individual independent of the preparation process.

Inaccurate information may be reported to the Federal agency.

A nonstatistical sample of two reports out of five SF-425 reports was selected for testing. One of the two reports had not been reviewed and approved by an individual independent of the preparation process.

*State's Response:* The Office of the Attorney General will enhance internal controls to ensure that all reports submitted to the Federal Agency are reviewed and approved by an individual independent of the preparation process. Additional reviewers are to be added to internal controls to ensure a reviewer is available at all times. Corrected January 30, 2017.

*Status:* Corrected.

**2016-048: U.S. Department of Health and Human Services  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey and Certification of Health Care Providers and  
Suppliers (Title XVIII) Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Eligibility**

**Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year  
Finding Occurred:*

2014

*Finding Summary:* The *OMB Compliance Supplement* provides that the State agency is required to determine eligibility in accordance with the eligibility requirements defined in the approved State plan and states that the auditor should test eligibility determinations based on factors other than Modified Adjusted Gross Income, i.e. Aged, Blind and Disabled (MAABD).

Individuals received benefits in the incorrect aid category for a period of time during the fiscal year.

The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure that individuals' aid categories were updated timely to reflect changes in age and income.

Individuals received benefits for which they were not eligible.

A nonstatistical sample of 60 out of 20,325 individuals determined to be MAABD eligible during the fiscal year was selected. Four of the 60 individuals were classified in the incorrect aid category for a period of time during the fiscal year.

*State's Response:* The agency is continuing the four distinct levels of case monitoring to address ongoing development needs for the more than 800 staff determining eligibility for the State, and strives to alleviate future data errors. Funding authorization was received from the Feds on June 23, 2017. The agency is on the agenda schedule for the Interim Finance Committee meeting on August 24<sup>th</sup> where it will seek state authorization to spend the funds for a statewide training conference. Once authorization is received, a date for the conference will be scheduled. It is now hoped to have this scheduled prior to year end, but an exact date will depend on facility and staff availability.

*Status:* Not corrected.

Sincerely,

A handwritten signature in black ink that reads "Ronald L. Knecht". The signature is written in a cursive, flowing style.

Ronald L. Knecht, MS, JD, PE (CA)  
State Controller

RLK:mw

BRIAN SANDOVAL  
Governor



RICHARD WHITLEY, MS  
Director

STEVE H. FISHER  
Administrator

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

**Eligibility & Payments**

1470 College Parkway  
Carson City, Nevada 89706-7924  
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**CORRECTIVE ACTION PLAN FOR AUDIT FINDING**

Date: March 5, 2018

Program: U.S. Department of Agriculture  
SNAP Cluster:  
Supplemental Nutrition Assistance Program (SNAP), CFDA 10.551  
State Administrative Matching Grants for the Supplemental Nutrition Program, CFDA 10.561

Finding number: 2017-001

Finding: Expenditures reported on the SF-425 Federal Financial Report were not always supported by the applicable accounting records, and therefore, were not in accordance with program requirements.

Corrective Action Taken  
or To Be Taken: Procedures were updated and staff have been trained to perform a more comprehensive review to ensure better communication amongst DWSS units completing the reports.

If already taken,  
date of completion: January 31, 2017

If to be taken, estimated  
date of completion:

Agency Response

Does the Agency agree  
With finding: Yes  X  No \_\_\_\_\_ Partially \_\_\_\_\_

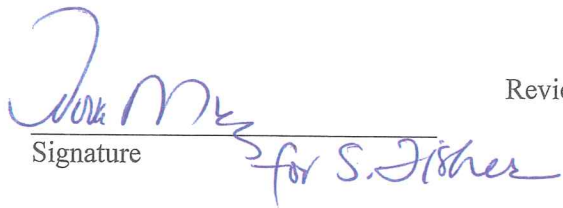
If No or Partial, please  
Explain reason(s) why:

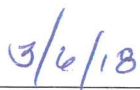
Additional Comments: Implementation of corrective action occurred in the later portion of the previous fiscal year. The timeframe reviewed for this audit included documentation prior to implementation of procedural updates.

Individual Responsible for Corrective Action Plan

Name, Title: Jessica Hoban, Acting Chief of Accounting  
Phone Number: 775-684-0655  
Email: [hobanj@dwss.nv.gov](mailto:hobanj@dwss.nv.gov)

Reviewed and Approved

  
Signature

  
Date

BRIAN SANDOVAL  
Governor

STATE OF NEVADA

JAMES R. BARBEE  
Director



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**DEPARTMENT OF AGRICULTURE**

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March 6, 2018

Ronna Bach, Division Director, Special Nutrition Programs  
Western Regional Office, Food and Nutrition Services  
90 Seventh Street, Suite 10-100  
San Francisco, CA 94103-6707

Dear Ronna:

Eide Bailly, LLP recently performed an annual single audit of the Child Nutrition Cluster, which included the following programs:

- School Breakfast Program - CFDA 10.553
- National School Lunch Program - CFDA 10.555
- Special Milk Program for Children - CFDA 10.556
- Summer Food Service Program for Children - CFDA 10.559

The scope of this audit was state fiscal year 2017, which ended June 30, 2017. This audit resulted in three (3) findings. The following lists Eide Bailly's findings and recommendations and the Nevada Department of Agriculture's response and corrective action plan for each findings:

**Finding 2017-002:**

**Finding 2017-002:** Federal funds were not drawn using the required funding technique and in accordance with the average clearance time specified in the Agreement.

**Recommendation:** We recommend the Department implement internal controls to ensure funds are drawn using the required funding technique and clearance time specified in the Agreement

**Nevada Department of Agriculture's Response:** The Nevada Department of Agriculture agrees with this finding.

**Contact Persons responsible for corrective action plan:** Mark Stone, MAIII, ASOIII – Elizabeth Watson, backup Debra Crowley, Fiscal Administrator

**Corrective Action for Finding 2017-002:** The Department has current policies and procedures for Federal cash draws including having our Administrative Services Officer III sign off on all federal draws, and having the Fiscal Administrator as that position's back-up.

**Completion Date:** March 6, 2018

## **Finding 2017-003:**

**Finding 2017-003:** Subawards did not include information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

**Recommendation:** It is recommended the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

**Nevada Department of Agriculture's Response:** The Nevada Department of Agriculture agrees with this finding.

**Contact Persons responsible for corrective action plan:** Celeste Arnold ASO II and or Mark Stone, MAIII, backup Debra Crowley, Fiscal Administrator

**Corrective Action for Finding 2017-003:** The Department has implemented policies and procedures to assure that the award documents are reviewed by both program and fiscal staff to assure that all award notifications include the federal agreement (FAIN) identification number and CFDA numbers.

**Completion Date:** March 6, 2018

## **Finding 2017-004:**

**Finding 2017-004:** Reports were prepared and submitted without being reviewed by an individual independent of the preparation process.

**Recommendation:** The Nevada Department of Agriculture follow implement internal controls to ensure that adequate documentation for review of reports by an individual independent of the preparer.


**Nevada Department of Agriculture's Response:** The Nevada Department of Agriculture agrees with this finding but does not believe it is a material weakness.

**Contact Persons responsible for corrective action plan:** Mark Stone, MAIII and or ASOIII – Elizabeth Watson.

**Corrective Action for Finding 2017-004:** The Nevada Department of Agriculture has implemented a policy and procedure documenting review and approval of reports by an individual independent of the preparer.

**Completion Date:** July 1, 2017

Thank you,

  
Debra Crowley, Fiscal Administrator  
Nevada Department of Agriculture

cc: Daniel Crossman, Chief Deputy Legislative Auditor, LCB  
Jim Barbee, Director, Nevada Department of Agriculture  
Jerri Williams-Conrad, Deputy Director, Nevada Department of Agriculture  
Homa Anooshehpour, Food and Nutrition Administrator, Nevada Department of Agriculture  
Heather Walker, Eide Bailly, LLP  
Kurt Schlicker, Eide Bailly, LLCP  
Steve Weinberger, Administrator Internal Audits  
Mark Stone, MAII, NDA  
Celeste Arnold, ASO II, NDA



BRIAN SANDOVAL  
Governor



JULIE KOTCHEVAR, Ph.D.  
Administrator

RICHARD WHITLEY, MS  
Director

LEON RAVIN, M.D.  
Acting Chief Medical Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH  
4150 Technology Way  
Carson City, Nevada 89706  
Telephone (775) 684-4200 • Fax (775) 687-7570  
<http://dpbh.nv.gov>

March 9, 2018

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2017 which ended June 30, 2017.

Finding 2017-005: Cash Management.

- A. Federal funds were not drawn using the funding techniques specified in the Treasury-State Agreement.
- B. Draw requests were not always reviewed by an individual independent of the preparation.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

- A. The Division will request from the State Controller's office to update the TSA-CMIA memo for the Administrative (non-payroll) component of the WIC program from an "Average Clearance – Accounts Payable Method" technique to an Interest Neutral "Actual Drawdown" method.
- B. The Grants Management Unit manager will provide training to all staff responsible for drawing federal funds to ensure the internal controls are understood and adhered to.

Date of Completion: A. April 1, 2018  
B. March 9, 2018

Responsible Party: Michele Silzell, Management Analyst IV

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Julie Kotchevar".

Julie Kotchevar, Administrator

BRIAN SANDOVAL  
Governor



JULIE KOTCHEVAR, Ph.D.  
Administrator

RICHARD WHITLEY, MS  
Director

LEON RAVIN, M.D.  
Acting Chief Medical Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH  
4150 Technology Way  
Carson City, Nevada 89706  
Telephone (775) 684-4200 • Fax (775) 687-7570  
<http://dpbh.nv.gov>

March 9, 2018

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2017 which ended June 30, 2017.

Finding 2017-006: Procurement, Suspension, and Debarment.

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. Suspension and debarment verification procedures were not always performed prior to entering into covered transactions.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

Although the Division has requested the standard templates for contracts and leases be updated to include applicable provisions by the State Purchasing Division and State Public Works, as of today this request has not been approved. Therefore, the Contract Unit will add an addendum to the contracts scope of work providing the required language regarding: Suspension/Debarment, Anti-Lobbying and Clean Air/Clean Water Act. Additionally, the Accounting Unit is verifying suspension and debarment by reviewing the Excluded Parties List System prior to entering into covered transactions. Agency implementation began July 1, 2017. The Division will revise its policies and procedures to reflect these changes.

Date of Completion: Contract Unit: July 1, 2018  
Accounting Unit: Implemented July 1, 2017

Responsible Party: Leases and Contracts: Kelli Quintero, Administrative Services Officer III  
Requisitions: Wendy Koch, Management Analyst IV

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Julie Kotchevar".

Julie Kotchevar, Administrator

BRIAN SANDOVAL  
Governor



JULIE KOTCHEVAR, Ph.D.  
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March 9, 2018

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2017 which ended June 30, 2017.

Finding 2017-007: Reporting

During our testing of Addendum to WIC Financial Management and Participation Report – NSA Expenditures (FNS-798A), we noted the State Level Nutrition Education and State Level Breastfeeding Promotion and Support line items were reported inaccurately, and therefore, not in accordance with program requirements.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action: The final review procedure was not completed at the time of the report certification. The Grants Management Unit will ensure an updated procedure is established and staff is fully trained on the completion of the FNS-798A report. Internal controls will be reviewed and updated to ensure the completer/submitter of the FNS-798A report will be independent of the reviewer/certifier of the report.

Date of Completion: April 1, 2018

Responsible Party: Michele Silzell, Management Analyst IV

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Julie Kotchevar".

Julie Kotchevar, Administrator



BRIAN SANDOVAL  
*Governor*



JULIE KOTCHEVAR, Ph.D.  
*Administrator*

RICHARD WHITLEY, MS  
*Director*

LEON RAVIN, M.D.  
*Acting Chief Medical Officer*

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
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4150 Technology Way  
Carson City, Nevada 89706  
Telephone (775) 684-4200 • Fax (775) 687-7570  
<http://dpbh.nv.gov>

March 9, 2018

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2017 which ended June 30, 2017.

Finding 2017-008: Subrecipient Monitoring

A. Subawards did not include certain information required by Uniform Guidance. In addition, the CFDA number was not identified at the time of disbursement prior to April 2017.

B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

C. The Nevada Division of Public and Behavioral Health (the Division) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable and ensure the subrecipient took timely corrective action to all audit findings, as applicable.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective corrective action as described below.

Corrective Action:

A. As of April 1, 2017, the agency implemented the "CFDA number, name and amount" within the "Additional Description" field of all payment vouchers.

B. Risk Assessment tools will be developed collaboratively by Division Fiscal and WIC Program staff and referenced within internal controls.

C. Although the coordination of verifying that required audit reports were received, reviewed and appropriately acted upon was assigned to an Accounting Assistant III new to the Grants Management Unit, due to heavy workload, these procedures were not implemented. The managers within the Grants Management Unit will establish internal controls, as well as policy and procedures, for the agency regarding audit findings of subgrantees. The Accounting Assistant III will work with the Contract/Grants Management Unit, the assigned Administrative Services Officer, and program staff to ensure the audit reports are being received, reviewed, followed up, logged and tracked through completion. Management review and corrective actions/findings will be reviewed and approved by Division Administration.

BRIAN SANDOVAL  
Governor



JULIE KOTCHEVAR, Ph.D.  
Administrator

RICHARD WHITLEY, MS  
Director

LEON RAVIN, M.D.  
Acting Chief Medical Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH  
4150 Technology Way  
Carson City, Nevada 89706  
Telephone (775) 684-4200 • Fax (775) 687-7570  
<http://dphh.nv.gov>

Page 2

Date of Completion: April 1, 2018

Responsible Party: A. Wendy Koch, Management Analyst IV  
B. Fiscal: Kelli Quintero, Administrative Services Officer III  
WIC Program: Michelle Walker, Health Program Manager II  
C. Kelli Quintero, Administrative Services Officer III

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Julie Kotchevar".

Julie Kotchevar, Administrator



## STATE OF NEVADA OFFICE OF THE MILITARY

Office of the Adjutant General  
2460 Fairview Drive  
Carson City, Nevada 89701-6807



Brian Sandoval  
Governor

WILLIAM R. BURKS  
Brigadier General  
The Adjutant General

March 6, 2018

### Corrective Action Plan

Audit Report: U.S. Department of Defense  
National Guard Military Operations and Maintenance (O&M) Projects  
CFDA 12.401

### Finding & Recommendation

Finding Number: 2017-009  
Finding: Procurement, Suspension, and Debarment  
Material Weakness in Internal Control over Compliance

Recommendation: We recommend the Office enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions and ensure suspension and debarment verification procedures are performed prior to entering into all covered transactions.

### Agency Response

The Office of the Military has reviewed and accepts the finding. The reoccurrence was due to the timeframe of the audit and intricacies of working with various agencies to implement the corrective action plan. After receiving the audit result for SFY 2016 on March 2017, the Office of the Military had taken corrective action by working with the agency's Attorney General, State Purchasing, and State Public Works to amend agency contract templates and ensure that contracts contain the applicable provisions described in Appendix II to Part 200. In addition, the agency had included suspension and debarment verification procedures on all Office of the Military agency contracts. The corrective action was fully implemented on November 2017 for Office of the Military agency contracts and on February 2018 for State Public Works contracts. However, majority of the contracts of the current finding were for contracts executed prior to our implementation.


### Corrective Action

The Office of the Military will continue to ensure that all future agency contracts will include the applicable provisions described in Appendix II to Part 200. The agency will also continue to execute the developed internal control policy to ensure that verification of suspension and debarment is completed prior to contract execution.

The Office of the Military will continue working with other state agencies, which were newly identified in this audit, to ensure that their contract templates will contain the required applicable provisions. The agency has July 1, 2019 as an estimated completion date.



**Agency Responsible for Corrective Action Plan**

Name, Title: Cheryl Tyler   
Administrative Officer II  
Office of the Military  
Address: 2460 Fairview Drive  
Carson City, NV 89701  
Phone Number: 775-884-8458  
Email: CTyler@govmail.state.nv.us

**State of Nevada**  
**Department of Employment, Training and Rehabilitation (DETR)**  
**Responses to Single Audit Findings**  
**For the Year Ended June 30, 2017**

**U.S. Department of Labor**  
**Unemployment Insurance**

**CFDA 17.225**

**CORRECTIVE ACTION PLAN**

**Finding 2017-010**

Wage record data included on the TAPR did not agree to information obtained from the WRIS. A non-statistical sample of two out of four quarterly reports was selected for testing. These reports contained 984 key data elements, including 574 wage record data elements. Seven of the 574 wage record data elements tested did not agree to the WRIS.

**Recommendation**

We recommend the Department enhance internal controls to ensure that information included on the TAPRs agrees to the WRIS.

**Nevada DETR's Response**

In the prior year's response Nevada DETR indicated a new MIS/Reporting system was in the contracting phase. Due to a delay in implementation, Nevada DETR was unable to use the new system for the reporting cycle audited. This year's audit findings were based on the legacy system that has been previously identified as flawed. As a result of previous findings, the TAPR process and procedure was continuously updated to mitigate future file errors. This process involved the use of multiple reporting tools to achieve the output file required by the Department of Labor. Nevada has now implemented the new MIS/Reporting system (EmployNV). This has eliminated the need for the additional processes utilizing the additional reporting tools thus causing errors on the TAPR Reporting. In addition, the WIA TAPR is now obsolete. With the implementation of the new system and the change over to the WIOA TAA PIRL report, the entire process is now streamlined and correct. This final phase of the correction occurred in October 2017.

**Date of Completion:**

The new MIS/Reporting System was implemented in **October 2017**. The TAA PIRL for the quarter ending 12/31/2017 has already been certified to the Department of Labor. Nevada will continue to use this new system and process for all future reporting needs.

**Contact Person:**

Grant Nielson, Chief, Workforce Investment Services Section (WISS), DETR



### **Finding 2017-011**

BAM investigation files did not include all required documentation. A nonstatistical sample of 60 completed BAM cases out of a population of 916 was selected for testing. For two cases, all required documentation was not included in the case file. The first case improperly excluded the documentation of the Occupational Code source and the second case improperly excluded the DCI report.

### **Recommendation**

We recommend the Department follow established procedures and enhance controls to ensure that all required documents are obtained and included in the BAM investigation case files.

### **Nevada DETR's Response**

The Nevada DETR BAM Office acknowledges that a documentation omission did occur in one of the 60 case files under audit review. In order to facilitate prevention of future similar occurrences, the case review will require a validation check be conducted by each BAM investigator in order to certify that all required Data Collection Instrument (DCI) reference materials are included in each completed case file. Upon the file validation being completed, the investigator will email the BAM supervisor to document the completion of the file certification. This requirement was briefed to all BAM investigators on 12/19/2017.

BAM files are electronically archived. As part of that process, missing DCI's will be identified through batch reviews. A review conducted of scanned BAM batches back to July, 2016 has revealed no other occurrences of the DCI (required documentation) not being included in the file. It should be noted however, that printing and inclusion of a DCI after the fact does not alter the efficacy of the DCI. No changes can be made to the DCI without the revision date being noted as a reopen code.

Estimated Date of Completion:       **01/01/2018**  
Contact Person:                       Deanna White BAM Supervisor

### **Finding 2017-012**

The system utilized by the Nevada Department of Employment, Training and Rehabilitation (the Department) to operate the Unemployment Insurance program, the UINV System, did not have the operational capability prior to February 2017 to ensure that the State was not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Prior to February 2017, modifications to the UINV System had not been implemented by the system's vendor to comply with the requirements of Pub. L. No. 112-40 referenced in the *OMB Compliance Supplement*.

### **Recommendation**

We recommend the Department ensure the modifications to the UNIV system comply with the requirements of Pub. L. No. 112-40.

**Nevada DETR's Response**

The Relief of Charges functionality was implemented into UINV production back on February 8, 2017. Nevada DETR is in full compliance with Pub. L. No.112-40. The Unemployment Insurance Support Services (UISS) Office has provided instruction to all U.I. business user groups regarding the modification functionality. Additionally, the UISS Office is responsible for on-going UINV system monitoring to ensure all U.I. Program functionality is working as expected.

Date of Completion:

**02/08/2017**

Contact Person:

Brian Bracken UISS Program Chief



STATE OF NEVADA  
DEPARTMENT OF TRANSPORTATION  
1263 S. Stewart Street  
Carson City, Nevada 89712

BRIAN SANDOVAL  
Governor

RUDY MALFABON, P.E., Director

March 08, 2018

In Reply, Refer to:

Ms. Susan Klekar, Division Administrator  
Federal Highway Administration  
705 North Plaza Street, Suite 220  
Carson City, NV 89701

Dear Ms. Klekar:

Eide Bailly LLP, CPA's performed an annual Single Audit of the Highway Planning and Construction Clusters, CFDA 20.205 administered by the Nevada Department of Transportation for fiscal year ended June 30, 2017. Eide Bailly's findings 2017 - 013 and 2017 - 014 concern the Nevada Department of Transportation.

**Finding 2017-013 resulted in the following recommendation:**

Eide Bailly's recommended that the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

**Finding 2017-014 resulted in the following recommendation:**

Eide Bailly's recommended that the Department enhance internal controls to ensure that timely follow up with contractor is performed when the required certified payrolls are not received weekly as required.

**Nevada Department of Transportation Response:**

The Nevada Department of Transportation accepts the findings and initiated corrective action as noted in the corrective action plan (attached).

Sincerely,

DocuSigned by:

A handwritten signature in blue ink that reads "Rudy Malfabon".

Rodolfo Malfabon, P.E.

Director

Cc: Bill Hoffman, Tracy Larkin-Thomason, Robert Nellis, Cole Mortensen, Kurt Schlicker, Daniel L. Crossman, Tammy A. Goetze, Hua Riley, Norfa Lanuza, Natalie Caffaratti, Sonnie Braih, Teresa Schlaffer, Holli Stocks.





**DEPARTMENT OF TRANSPORTATION**

**CORRECTIVE ACTION PLAN FOR AUDIT FINDINGS**

Date: March 08, 2018

Corrective Action Plan

Finding Number: 2017-013

Finding: Subawards did not include certain information required by Uniform Guidance and the CFDA number was not always identified at the time of disbursement.

Corrective Action To Be Taken: Include language in the LPA Agreement identifying the DUNS number in the same paragraph where we identify the CFDA number. This will be in all new agreements started after March 1, 2017. And we will amend to add the language into agreements if and when we are amending the agreement for other reasons. But we will not be amending solely to add this language to existing agreements started prior to March 1, 2017.

Include language in the LPA Agreement that notifies the sub-recipient that the Federal Award Identification Number (FAIN) will be provided with the Notice to Proceed (NTP). We have three paragraphs that discuss the different types of NTPs that we could have on a project. We will identify the FAIN number on each NTP issued. These paragraphs will be included as applicable to the phases of work associated with the project. This will be in all new NTPs and agreements started after March 1, 2017. And we will amend to add the language into agreements if and when we are amending the agreements for other reasons. But we will not be amending solely to add this language to existing agreements started prior to March 1, 2017.

To identify the Federal Grant Award Number (CFDA 20.205) to the subrecipients at the time of disbursement, the Nevada Department of Transportation implemented a new procedure on March 27, 2017. Each division takes the responsibility to communicate with the subrecipients about the federal grant(s) that they receive in writing at the time of disbursement, printed on checks, or included in EFT payments. The Accounting division takes the responsibility to ensure that the NDOT is in full compliance with this requirement.

If already taken, date of completion: The corrective action process started on March 01, 2017 for LPA agreements and March 27, 2017 for the CFDA number to subrecipient disbursement.



Agency Response

Does the Agency Agree with finding: Yes  
Additional Comments: New procedures attached.

Individual Responsible for Corrective Action Plan

Name, Title: Natalie Caffaratti, P.E., C.P.M  
Assistant Chief Road Design Engineer

Address or Mailstop: 1263 Stewart Street  
City, State, Zip Code: Carson City, NV 89712  
Phone Number: 775-888-7490  
Email: [NCaffaratti@dot.nv.gov](mailto:NCaffaratti@dot.nv.gov)

Name, Title: Hua Riley, CGFM  
Chief Accountant  
Address or Mailstop: 1263 Stewart Street  
City, State, Zip Code: Carson City, NV 89712  
Phone Number: 775-888-7450  
Email: [HRiley@dot.nv.gov](mailto:HRiley@dot.nv.gov)

Reviewed and Approved

DocuSigned by:  
  
CA07CE5CD96445  
Signature of Director

03/07/2018  
Date:

COOPERATIVE (LOCAL PUBLIC AGENCY) AGREEMENT  
**PROJECT NAME**

This Agreement is made and entered the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between the STATE OF NEVADA, acting by and through its Department of Transportation (hereinafter "DEPARTMENT") and **[insert Name and Address of Local Public Agency]** (hereinafter "LOCAL AGENCY").

WITNESSETH:

WHEREAS, agreements between the DEPARTMENT and local public agencies are authorized under Nevada Revised Statutes (NRS) Chapters 277 and 408; and

WHEREAS, the DEPARTMENT and the Nevada Division of the Federal Highway Administration (FHWA) have entered into a Stewardship Agreement pursuant to Title 23 United States Code (U.S.C.) § 106; and

WHEREAS, NRS 408.245 authorizes the DEPARTMENT to act as agent and to accept federal funds on behalf of local public agencies; and

WHEREAS, 23 Code of Federal Regulations (CFR) § 635.105(a) provides the DEPARTMENT shall be responsible for insuring that local public agency projects receiving federal funds receive adequate supervision and inspection to insure that such projects are completed in conformance with approved plans and specifications; and

**OR**

WHEREAS, 23 Code of Federal Regulations (CFR) § 635.105(c) provides that when a local public agency project is located on a street or highway over which the DEPARTMENT does not have legal jurisdiction, or when special conditions warrant, the DEPARTMENT may arrange for the local public agency having jurisdiction over such street or highway to perform the work with its own forces or by contract provided certain conditions are met; and

**[MODIFY AS NEEDED]**

WHEREAS, the LOCAL AGENCY is willing to agree to design, acquire right-of-way, adjust and/or relocate utility facilities, advertise, award, and manage construction of **[description of project]** as outlined in the Project Scope attached hereto and incorporated herein as Attachment A (hereinafter "PROJECT"); and

WHEREAS, the PROJECT has been approved by **[insert applicable agency i.e., the DEPARTMENT, the Regional Transportation Commission for Southern Nevada, the Regional Transportation Commission of Washoe County]** for Federal **[insert applicable funding source i.e., Transportation Alternatives Program (TAP), Congestion Mitigation and Air Quality (CMAQ), Surface Transportation Program (STP) Local]** funds; and

WHEREAS, the LOCAL AGENCY is a sub-recipient of federal transportation funds, Catalog of Federal Domestic Assistance (CFDA) Number 20.205 and the LOCAL AGENCY's Data Universal Numbering System (DUNS) Number **[insert agency's DUNS #]** will be used for reporting purposes; and



Date

Name  
Title  
Agency  
Agency  
Address  
Address

Federal Project No.:  
Project Number:  
Federal Award Identification Number:  
Notice to Proceed with Design Phase

Dear Name,

Please find enclosed a fully executed copy of Agreement No. PR000-00-063 between the Local Agency and the State of Nevada to advertise, award and administer a contract to construct the Project.

The necessary paperwork for programming the Federal funds for the project has been completed and approved. This letter is a confirmation that the Local Agency received a "Notice to Proceed" with the design of the project on Date, as outlined in the agreement.

The Federal Award Identification Number (FAIN) for this project is FAIN Number. Also, per 2 CFR 200 and the LPA Agreement, the Project End date for the Design Phase has been established as Date. This is the end date of federal participation for the design phase of the project, unless an extension for this end date is granted by FHWA.

The project has been assigned the following project number, EA number. It has also been assigned the following federal project number, fed number. The Federal project number must be shown on every plan sheet, as well as on the pages of the bid package. Please refer to the project number on future correspondence and billings.

If you have any questions or require more information, please feel free to contact Dean Morton at (775)888-7595 Jason Tyrrell at (702)671-8852 Tonia Andree at (775)888-7988, or me at (775)888-7669.

Sincerely,

Kirsten E. Kehe, P.E.  
Principal Road Design Engineer  
Local Public Agency Program

KK:sv

Enclosure

Cc: **Norfa Lanuza, Accounting  
Name, LPA Coordinator**



Date

Name  
Local Agency  
Local Agency  
Address  
Address

Project Number:  
Federal Project Number:  
Federal Award Identification Number:  
Notice to Proceed with Construction Phase

Dear Name,

This is confirmation that the Local Agency was given Notice to Proceed with the advertisement, award, and construction management of the Project on Date as outlined in the Agreement No. PXXX-XX-063.

The Federal Award Identification Number (FAIN) for this project is FAIN Number. In accordance with 2 CFR 200 and the LPA Agreement, the Project End date for the construction phase of the project has been established as Date. This is the end date of federal participation for the construction phase of the project, unless an extension for this end date is granted by FHWA.

Neil Kumar has been assigned as the Resident Engineer in charge of the construction oversight for the Department. Please be sure to notify Mr. Kumar when the contract is awarded and when the Notice to Proceed has been issued to the contractor. In addition, please be sure to keep him informed of any change orders, as well as updates to key dates, associated with the project. Mr. Kumar can be reached at the following address and phone number:

Neil Kumar, P.E.,  
Nevada Department of Transportation  
Construction - Crew 914  
123 E. Washington Ave.  
Las Vegas, NV 89101

Phone: (702) 671-6633  
Fax: (702) 671-6626

Please have three copies of the complete bid package made available to Tonia Andree. She will ensure two copies are provided to the Resident Engineer for his use. If you have any questions, please feel free to contact me at (775) 888-7669 or Dean Morton at (775) 888-7595 Jason Tyrrell at (702)671-8852 Tonia Andree at (775)888-7988.

Sincerely,

Kirsten E. Kehe, P.E.  
Principal Road Design Engineer  
Local Public Agency Program

KK:

Cc: **Tonia Andree/Dean Morton/Jason Tyrrell, Design**  
**Norfa Lanuza, Accounting**  
**Mary Martini, District 1**  
**Neil Kumar, District 1**  
**Sharon Foerschler, Construction**  
**Mario Gomez, District 1**  
**April Pogue, FM**  
**Teresa Schlaffer, Contract Compliance**



1283 South Stewart Street  
Carson City, Nevada 89712  
Phone: (775) 888-7070  
Fax: (775) 888-7101

**MEMORANDUM**

March 15, 2017

**TO: Deputy Directors, Assistant Directors, District Engineers, and Divisions**  
**FROM: Rudy Malfabon, PE, Director**  
**SUBJECT: Identifying the Federal Grant Award Number to the Subrecipient at the Time of Disbursement**

---

According to Title II U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), it is the responsibility of a pass-through entity to ensure that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Effective immediately, the Nevada Department of Transportation is implementing the procedure attached to this memo. Each division takes the responsibility to communicate with the subrecipients about the federal grant(s) that they receive in writing at the time of disbursement, printed on checks, or included in EFT payments. The Accounting division takes the responsibility to ensure that the NDOT is in full compliance with this requirement.

## Additional Internal Control Procedure to Subrecipient Monitoring

**Purpose:** This procedure is to identify the federal award's CFDA number to the subrecipient at the time of disbursement (processing a payment voucher).

**Criteria:** According to Title II U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), it is the responsibility of pass-through entities to ensure that the award's CFDA number is identified to the subrecipient at the time of disbursement.

**Effective Date:** March 15, 2017

**Procedure:** When Federal funds are used for payments and reimbursements to the subrecipients, vendors, consultants and service providers, the corresponding CFDA numbers must be included in the coding description line of the payment vouchers. Also, this procedure is a part of the corrective action plan to the fiscal year 2016 Single Audit Finding 2016-17.

A CFDA number should be keyed first in the field without any space and then may be followed by other information, such as an invoice number, if the space allow (20 characters). For instance, Federal Award 20205 should be input as "CFDA20205". If a payment voucher is paid out of more than one federal grant, enter a separate line for each grant.

NDOT Accounting Accounts Payable will take a final review of the payment vouchers to ensure that the award numbers are identified. Accounting will reject any payment voucher that does not meet the requirement. The following information is the review guideline:

### **Federal Projects CFDA Number:**

Federal projects beginning with activity number "1" must include the CFDA number 20.205 in the coding description line of the payment voucher. This number must be keyed into the payment voucher system when the payment voucher is created by the division initiating the payment.

Federal project SPR17 (FFY17) beginning with activity number "3" also requires the CFDA number 20.205 in the coding description line of the payment voucher and 51's. The CFDA number must be keyed into the system when processing payments to vendors, consultants and service providers.

The screen shot of the payment voucher # 1 will be available here!

### **Federal Grants CFDA Numbers:**

The Federal Transit grants have multiple CFDA numbers. Below is a list of the grant numbers and the corresponding CFDA numbers.

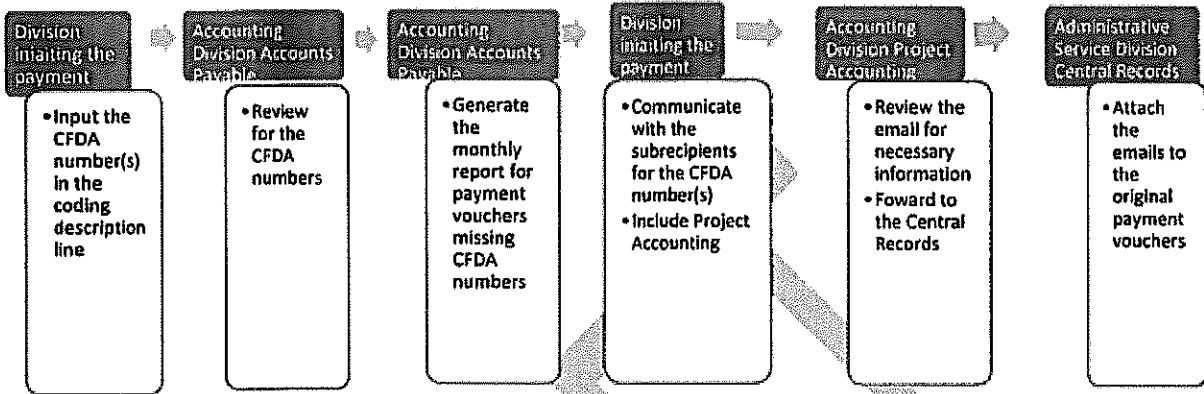
Grant No.	CFDA No.
N0408	20.500
N1602	50.513

N1638	20.513
N1825	20.509
N1831	20.509
N1832	20.509
N1835	20.509
N1838	20.509
N1839	20.509
N1840	20.509
N3402	20.526
N3405	20.526

The screen shot of the payment voucher # 2 will be available here!

At the beginning of each month, Accounts Payable will generate a report filtering the previous month's payment vouchers that slipped through the above review. The report is distributed by Accounting to the appropriate divisions. It is the responsibility of the division initiating the payment voucher to communicate with the subrecipients and Project Accounting via email what type of grant(s) they received. The email must include the PVR number, dollar amount, subrecipient invoice number, and CFDA number(s). Such correspondence will be reviewed and forwarded to Central Records to be attached with the original payment voucher. Project Accounting monitors the report and ensures NDOT is in full compliance with this requirement.

Below is the flow chart of this procedure:



DRAFT





## NEVADA DEPARTMENT OF TRANSPORTATION CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Date: March 08, 2018

### Corrective Action Plan

Finding Number: 2017-014

Finding: Certain certified payrolls were not submitted weekly as required and in certain instances, there was no documentation of timely follow up with contractors to support efforts to ensure future reports would be submitted weekly as required.

Corrective Action  
To Be Taken:

Timely submittal of certified payrolls is an important goal to the Department and we have taken steps each year to improve compliance. It has been challenging because the Department is dependent on contractors and subcontractors for compliance, and with the increasing opportunities to bid on construction contracts, there are often new contractors or subcontractors that may be unfamiliar with NDOT requirements. The Department is improving the monitoring of payroll submittals to ensure they are submitted in a timely manner.

Although the finding has not been corrected, significant improvement has been noted in the process. Continued training and process improvement opportunities have been realized in 2017 and early in 2018, including the following:

- In order to have a more practical interpretation for both NDOT and our contractors that have different week ending dates (last day of their pay period for their employees), NDOT adopted a policy change effective February 15, 2017, requiring that weekly certified payrolls be submitted within fourteen (14) days from the week ending date. This change was approved by the local office of the Federal Highway Administration and discussed with contractor's associations before it was placed into effect.
- Annual training of Resident Engineer (RE) Staff through the NDOT RE Academy is held in January each year to specifically address the responsibilities for construction administration field staff.

- The Director reinforced the importance of adhering to policy and procedure at the RE Academy on January 22, 2018, and at the annual RE meeting on February 5, 2018.
- Discussion of timely payroll submission requirements is communicated at every pre-construction meeting held for each contract (field staff, Contract Compliance staff and contractors in attendance).
- Since September 2017, two contract employees have provided assistance and one-on-one training to over 150 contractors/subcontractors on the issue of weekly certified payrolls and the software systems that NDOT relies on for labor compliance (B2G Now and LCPtracker).
- Periodic meetings have been held between the REs and Contract Compliance staff through the District RE monthly meetings. The importance of proper oversight of weekly certified payrolls is one of several contract compliance issue that has been discussed.
- Collaboration with the Nevada Office of the Labor Commissioner for enforcement of both State and Davis Bacon labor compliance requirements takes place on a regular basis.
- An additional procedure was implemented in December 2017, for a review and monthly audit by a Contract Compliance Audit Investigator III, to ensure appropriate notification is being sent to the prime contractor for any late payroll submittals.
- NDOT is in the process of hiring two consultant employees to train and provide technical assistance to contractors and subcontractors on labor compliance statewide. This contract should be in place by the second quarter of 2018.

If already taken,  
date of completion:

If to be taken, estimated  
date of completion:

April 28, 2017

### Agency Response

Does the Agency Agree with finding: Yes

Additional Comments:

Please see attached NDOT Policy Memo 15-01 Revised



Individual Responsible for Corrective Action Plan

Name, Title: Teresa Schlaffer, Contract Compliance Manager  
Address or Mailstop: 1263 South Stewart Street  
City, State, Zip Code: Carson City, NV 89712  
Phone Number: 775 – 888 - 7497  
Email: [TSchlaffer@dot.nv.gov](mailto:TSchlaffer@dot.nv.gov)

Reviewed and Approved

DocuSigned by:



C4C7CE5CD584445...  
Signature of Director

03/07/2018

Date:



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF TRANSPORTATION  
1263 S. Stewart Street  
Carson City, Nevada 89712

RUDY MALFABON, P.E., Director  
In Reply Refer to:

POLICY MEMORANDUM

DATE: February 15, 2017  
TO: Assistant Directors; District Engineers; Division Heads; Resident Engineers  
FROM: Rudy Malfabon, Director *Rudy Malfabon*  
SUBJECT: NDOT Policy Memo 15-01 "Revised"  
CERTIFIED PAYROLL COMPLIANCE FOR PRIME CONTRACTORS,  
SUBCONTRACTORS AND SERVICE PROVIDERS

---

Effective immediately, the Director is implementing the policy below regarding checking of prime contractors', subcontractors' and service providers' weekly certified payrolls on construction contracts.

1. PURPOSE

To establish policy, procedures and responsibilities to ensure the timely entering, monitoring and reviewing of weekly certified payroll submission requirements for all federal and state funded highway construction contracts.

2. POLICY

It is the policy of the NDOT to review and audit certified payroll information entered into the electronic payroll submission system (LCPtracker) in accordance with the 2017 Certified Payroll and Compliance Manual. These procedures are considered necessary to ensure compliance with federal and state regulations.

3. SCOPE

This policy is applicable to the Director's Office, District Engineers, Construction Division, Resident Engineers, Contract Compliance and Project Accounting.

4. RESPONSIBILITY

State funded contracts greater than \$250,000 and federally funded contracts greater than \$2,000 require the submission of weekly certified payrolls each week for work performed, or non-performance payrolls when no work is performed. Penalties for

payrolls that are determined late in accordance with NRS 338 (15 days after the end of the month) shall be calculated and forwarded to the Nevada Labor Commissioner for a violation determination. Payrolls that are determined late in accordance with 29 CFR and FHWA-1273 but do not exceed NRS 338, shall be identified and written notification forwarded to the prime contractor with possible recommendations to withhold the next progress payment.

a. The Resident Engineer is responsible for:

- (1) Confirming that a Request to Sublet and Subcontract Agreement have been fully executed prior to the subcontractor's start of work.
- (2) Forwarding all hauling agreements to Contract Compliance for review.
- (3) Confirming that a Request to Utilize Service Provider has been fully executed prior to the service provider's start of work.
- (4) Verifying that each prime contractor, subcontractor and service provider have uploaded a Fringe Benefit Statement into LCPtracker.
- (5) Verifying that each prime contractor, subcontractor and service provider have uploaded a current Request for Apprentice Verification form, and apprenticeship agreement into LCPtracker for each apprentice for each contract.
- (6) Verifying that each prime contractor, subcontractor and service provider have uploaded a request to work 4-10 hour days into LCPtracker (if applicable).
- (7) Ensuring that each prime contractor, subcontractor and service provider that worked on the contract have submitted a payroll into LCPtracker each week. Payroll must be submitted within fourteen (14) calendar days of the week ending date. No additional calendar days are allowed for payrolls with week ending dates falling on Saturday, Sunday or a holiday.
- (8) Ensuring that each prime contractor, subcontractor and service provider that did not work on the contract have submitted a non-performance payroll into LCPtracker each week. Non-performance payroll must be submitted within fourteen (14) calendar days of the week ending date. No additional calendar days are allowed for payrolls with week ending dates falling on Saturday, Sunday or a holiday.
- (9) Reviewing payrolls and submission dates in LCPtracker weekly.
- (10) Informing the prime contractor in writing of payrolls that were not entered weekly or payrolls not entered at all into LCPtracker. The correspondence will include a statement that future progress payments may be withheld until the issue is addressed. Continue weekly letters to address each

week's payrolls.

- (11) Assessing penalties on the progress payment as requested by Contract Compliance upon receipt of the Labor Commissioner's Affirming Order. After the penalty is assessed, notify Contract Compliance with the contract number, name of prime contractor, penalty amount assessed and the payment number confirming the penalty was held.
- (12) Notifying Contract Compliance if there are no more progress payments to process or if the contract is picked up by the Construction Division.
- (13) Taking a proactive role to reduce late payroll submissions by contacting prime contractors who continually submit payrolls late. With the prime contractors' knowledge, contact subcontractors and service providers if necessary.
- (14) Submitting CERTIFIED PAYROLL LOG to District Engineer monthly for signature. Place signed copy with contract files.

b. Contract Compliance is responsible for:

- (1) Reviewing hauling agreements.
- (2) Assisting the Resident Engineer with payroll issues.
- (3) Providing contract information regarding payroll requirements during the preconstruction meetings.
- (4) Investigating questions/discrepancies concerning wages, overtime, working out of classification, etc.
- (5) Providing ongoing training for Resident Engineers and their staff to monitor payrolls in LCPtracker.
- (6) Providing ongoing training and guidance for prime contractors, subcontractors and service providers to enter and monitor payrolls in LCPtracker.
- (7) Reviewing active contracts within eight (8) business days of the 15<sup>th</sup> of each month for payrolls entered late into LCPtracker.
- (8) Applying late payroll considerations uniformly and if applicable, prepare a letter to the prime contractor informing them of the requirement and violation, and why penalties were waived.
- (9) a. If late payroll considerations are not applicable, calculate the late payroll penalty in accordance with NRS 338 and prepare a late payroll determination letter to the Labor Commissioner that the

prime contractor, subcontractor or service provider is in violation. Since penalties are based on the number of employees per day for the late payroll period, the amount cannot be calculated until the payroll is submitted.

- b. Upon receipt of the Labor Commissioner's review and Affirming Order, notify the Resident Engineer to withhold the penalty as a liquidated damage on the next progress payment.
  - c. If there are no further progress payments to be made by the Resident Engineer, notify the Construction Division requesting to withhold the penalty from the final payment/retention release.
  - d. If final payment/retention release has already been processed, prepare a billing request with proper coding obtained from Project Accounting. Deliver billing request to Project Accounting.
- (10) Reviewing and investigating all disputed violations returned to NDOT from the Labor Commissioner.
- (11) Checking all prime contractor, subcontractor and service provider payroll and non-performance payroll submission dates as part of the Contract Compliance Clearance for all contracts. Document all late (15 days after the end of the month) payrolls and verify that violation letters were submitted to the Labor Commissioner, and a determination was received by NDOT. Verify that all penalties were assessed in accordance with Item (9) above. Any discrepancies will be discussed with the Resident Engineer, and if necessary, prepare additional violation letters to the Labor Commissioner. Contract Compliance shall not grant clearance for any contract until all issues are resolved.
- (12) Notifying the Labor Commissioner in writing after violation penalty has been held from the prime contractor by the Resident Engineer or by the Construction Division, or when payment from the prime contractor, subcontractor or service provider is received in Project Accounting.
- c. The District Engineer is responsible for:
- (1) Conducting monthly payroll reviews of the Resident Engineers' CERTIFIED PAYROLL LOG to assure that payroll submissions are checked weekly in accordance with requirements mentioned above. Acknowledge review by signing CERTIFIED PAYROLL LOG and returning to Resident Engineer for his contract files.
  - (2) Discussing late payrolls with the Resident Engineers monthly.
  - (3) Taking a proactive role to reduce late payroll submissions by contacting prime contractors who continually submit payrolls late.

- d. The Construction Division is responsible for:
  - (1) Obtaining Contract Compliance Clearance before final payment/retention release is processed.
  - (2) Assessing late payroll penalty on the final payment if the Resident Engineer was unable to assess on a progress payment or if the contract is already picked up.
  - (3) Notifying Contract Compliance that penalty was assessed on final payment/retention release and that final payment/retention release was processed.
  - (4) Notifying Contract Compliance if the final payment/retention release has already been processed through Project Accounting and they are unable to assess the late payroll penalty.
- e. Project Accounting is responsible for:
  - (1) Providing proper coding to Contract Compliance upon their request for any billing request necessary to receive payment for penalties directed on the Labor Commissioner's Affirming Order.
  - (2) Notifying Contract Compliance when payment is received from the prime contractor, subcontractor or service provider.
- f. The Assistant Director, Operations is responsible for:
  - (1) Reviewing the Resident Engineers' weekly correspondence to prime contractors.
  - (2) Approving or waiving the Resident Engineers' request to withhold progress payments for late payrolls.
  - (3) Providing written confirmation to the Resident Engineers to withhold the progress payment.
- g. The Deputy Director - Southern Nevada is responsible for:
  - (1) Updating this POLICY MEMORANDUM as necessary.

5. DEFINITION

- a. DBRA - Davis Bacon and Related Acts - a federal regulation requiring the payment of prevailing wages on federally funded or assisted construction projects and the weekly submission of the prime contractors', subcontractors' and service

providers' certified payrolls. The Davis Bacon Act applies to each federal government contract in excess of \$2,000.

- b. Federally funded - any project or activity that is awarded to a prime contractor, assigned a contract and project number, and the contract is funded with any amount of federal funds.
- c. NRS 338 - Nevada Revised Statutes - state regulations requiring the payment of prevailing wages on state funded construction projects and the submission of the prime contractors', subcontractors' and service providers' certified payrolls. NRS 338 applies to each public works project in excess of \$250,000.
- d. State funded - any project or activity that is awarded to a prime contractor, assigned a contract and project number, and the contract is funded without any federal funds.
- e. Picked up - Construction Division has reviewed pay quantities and required documentation in order to establish final quantities and prepare a final payment/retention release to the prime contractor.

## 6. PROCEDURES

- a. The Resident Engineer shall oversee the process and assure that compliance is achieved. The inspector shall be aware of the prime contractor, subcontractors and service providers working on the project and document them on an Inspector Daily Report (IDR in FieldBook). The office person will review the reports and document which prime contractor, subcontractors and service providers worked for each week. During the weekly check of LCPtracker, the office person will verify that payrolls were submitted for those weeks employees were working on the contract, and non-performance payrolls were submitted for all others.
- b. For late payroll or no payroll submissions, the Resident Engineer and Contract Compliance will take appropriate action as outlined in the 2017 Certified Payroll and Compliance Manual.



**BRIAN SANDOVAL**  
*Governor*

STATE OF NEVADA

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**STEVE CANAVERO, Ph.D.**  
*Superintendent  
of Public Instruction*



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March 5, 2018

To: Whom it May Concern

From: Roger Rahming, Deputy Superintendent  
Business and Support Services

Subject: Status of Corrective Action on FY 2017 Audit Findings

This letter is in response to the annual Single Audit performed by Eide Bailly LLP, CPA's relating to Federal Programs administered by the State of Nevada, Department of Education (NDE) for the fiscal year ended June 30, 2017. The audit findings pertain to the Federal Title I-A and Special Education programs listed below:

Title I Grants to Local Educational Agencies, CFDA 84.010  
Special Education Cluster:

Special Education Grants to States, CFDA 84.027  
Special Education Preschool Grants, CFDA 84.173

CCDF Cluster

Child Care Development Block Grant, CFDA 93.575  
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Below are the Department of Education's responses to audit findings: 2017-015, 2017-016, 2017-017, 2017-018, 2017-019 and 2017-027.

**Finding #2017-015 resulted in the following recommendation**

We recommend that the Department follow established internal controls to ensure that all reports submitted to the Federal agency are reviewed and approved by an individual independent of the preparation process.

**NDE Response**

The NDE has reviewed and accepts this finding.



**Corrective Action**

Starting with the FY2017 State Per Pupil Expenditure Report that is currently being prepared, the Nevada Department of Education will employ a more rigorous peer review process to ensure the accuracy of both entries and calculations.

The Department would like it noted that the \$268 difference in per pupil expenditures reflects the cumulative difference found in the individual reports submitted by our 17 districts and 41 charter schools. The cumulative dollar difference found was \$55,478 of the \$3,945,848,739 total expenditures reported. This difference must then be divided by the statewide pupil population of 443,236 to determine the statewide per pupil expenditure difference from these findings.  $\$55,478 \text{ divided by } 443,236 = 0.125165$ . This would not have changed the \$8,902 statewide per pupil expenditure reported to the Federal agency.

**Division Responsible for Corrective Action Plan**

Name, Title: Andrea Osborne, Director of Fiscal, [andreao@doe.nv.gov](mailto:andreao@doe.nv.gov)

**Finding #2017-016 resulted in the following recommendation**

We recommend that the Department enhance internal controls to ensure compliance with sub-recipient monitoring requirements.

**NDE Response**

The NDE has reviewed and accepts this finding.

**Corrective Action**

- A. Starting in March 2018, the Nevada Department of Education (NDE) will ensure that every subaward include all remaining information required by Uniform Guidance at the time of the subaward.

In March of 2017, the NDE incorporated some components of the information required by Uniform Guidance at the time of the subaward, and ensured that the CFDA number was identified to the subrecipient at the time of disbursement.

- B. The NDE is currently working with WestEd to develop policies and procedures and a risk assessment tool to evaluate each subrecipient's risk of non-compliance with Federal statues, regulations, and the terms and conditions of the subaward for purposed determining the appropriate subrecipient monitoring. This process will be fully implemented by NDE staff by June 2018.

**Division Responsible for Corrective Action Plan**

Name, Title: Andrea Osborne, Director of Fiscal, [andreao@doe.nv.gov](mailto:andreao@doe.nv.gov)  
Seng-Dao Keo, Director of Student and School Support; [skeo@doe.nv.gov](mailto:skeo@doe.nv.gov)

**Finding #2017-017 resulted in the following recommendation**

We recommend that the Department implement internal controls to ensure amounts charged to the Federal program are adequately documented.

**NDE Response**

The NDE has reviewed and accepts this finding.

**Corrective Action**

NDE previously had this finding in 2015-16. NDE initially planned to collect all receipts for each request for funds. This proved to be extremely cumbersome, and entities were unable to comply with this request due to the volume of paperwork that would be required.

In February 2017, NDE implemented the requirement for sub-recipients to send their general ledger summary detail for each request for funds for FY 2017. The grants analysts will verify these ledgers for the entire 2017 fiscal year. Because the year was nearly completed at the time the audit findings were finalized and the CAPs were accepted, full CAP implementation was not feasible prior to the end of the fiscal year, resulting in a repeat finding.

**Division Responsible for Corrective Action Plan**

Name, Title: Andrea Osborne, Director of Fiscal, andreao@doe.nv.gov

**Finding #2017-018 resulted in the following recommendation**

We recommend that the Department enhance internal controls to ensure adequate supporting documentation is maintained for Federal cash draws.

**NDE Response**

The NDE has reviewed and accepts this finding.

**Corrective Action**

NDE previously had this finding in 2015-16. However, NDE did not have adequate staff assigned to the control of backup documentation to support all draws. NDE is currently training the Grant's Unit, who may utilize seven employees, to uniformly track each of their grants. The analysts doing the draws will have all available information to attach and save with each individual draw. NDE has also implemented a back-up system, so grant backup documentation will be easily accessible on the server.

Additionally, NDE is currently changing the accounting office process of finalizing payments daily to Mondays and Tuesdays only, so that draws can be done weekly for each grant needed. The draws will occur within the 3-4 day clearance pattern to match the appropriate funding technique per the Treasury-State Agreement.

Because the year was nearly completed at the time the audit findings were finalized and the CAPs were accepted, full CAP implementation was not feasible prior to the end of the fiscal year, resulting in a repeat finding.

**Division Responsible for Corrective Action Plan**

Name, Title: Andrea McCalla, Director of Fiscal; [ammccalla@doe.nv.gov](mailto:ammccalla@doe.nv.gov)

**Finding #2017-019 resulted in the following recommendation**

We recommend that the Department enhance internal controls to ensure compliance with sub-recipient monitoring requirements.

**NDE Response**

The NDE has reviewed and accepts this finding.

**Corrective Action**

- A. Starting in March 2018, the Nevada Department of Education (NDE) will ensure that every subaward include all remaining information required by Uniform Guidance at the time of the subaward.

In March of 2017, the NDE incorporated some components of the information required by Uniform Guidance at the time of the subaward, and ensured that the CFDA number was identified to the subrecipient at the time of disbursement.

- B. The NDE is currently working with WestEd to develop policies and procedures and a risk assessment tool to evaluate each subrecipient's risk of non-compliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposed determining the appropriate subrecipient monitoring. This process will be fully implemented by NDE staff by June 2018.

**Division Responsible for Corrective Action Plan**

Name, Title: Andrea Osborne, Director of Fiscal, [andreao@doe.nv.gov](mailto:andreao@doe.nv.gov)  
Will Jensen, Director of Special Education; [wjensen@doe.nv.gov](mailto:wjensen@doe.nv.gov)

**Finding #2017-027 resulted in the following recommendation**

We recommend that the Division and the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

**NDE Response**

The NDE has reviewed and accepts this finding.

## **Corrective Action**

Starting in March 2018, the Nevada Department of Education (NDE) will ensure that every subaward include all remaining information required by Uniform Guidance at the time of the subaward.

In March of 2017, the NDE incorporated some components of the information required by Uniform Guidance at the time of the subaward, and ensured that the CFDA number was identified to the subrecipient at the time of disbursement.

## **Division Responsible for Corrective Action Plan**

Name, Title: Andrea Osborne, Director of Fiscal, [andreao@doe.nv.gov](mailto:andreao@doe.nv.gov)  
Patti Oya, Director of the Office of Early Learning and Development,  
[poya@doe.nv.gov](mailto:poya@doe.nv.gov)

Sincerely,

*Roger M Rahming*

Roger M. Rahming, Deputy Superintendent  
Business and Support Services

**State of Nevada  
Department of Employment, Training and Rehabilitation (DETR)  
Responses to Single Audit Findings  
For the Year Ended June 30, 2017**

**U.S Department of Education  
Rehabilitation Services -Vocational Rehabilitation Grants to States, CFDA 84.126  
Eligibility**

**CORRECTIVE ACTION PLAN**

**Finding 2017-020**

- A. An eligibility determination was not always done within 60 days after the individual submitted an application for services.

A non-statistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. For two of the 60 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met.

- B. Documentation of a physical or mental impairment was not always included in the file at the time of the eligibility determination.

A non-statistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. For one of the 60 individuals selected for testing, documentation of a physical or mental impairment was not included in the file at the time of the eligibility determination.

- C. Financial participation forms were not always completed and signed by the counselor and the counselor did not always check the "meets financial needs" box in the electronic case file for participants meeting the financial needs requirement.

A non-statistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. For 12 of the 60 individuals selected for testing, no financial participation form was completed and signed by the counselor and participant. For 27 of the 60 individuals selected for testing, the participant received SSI, SSDI, TANF, or SNAP, however, the "meets financial needs box" was not checked in the electronic case file as required.

**Recommendation**

We recommend the Department enhance internal controls to ensure that eligibility determinations occur within the required time frame; to ensure required eligibility documentation

is always included in the case file; and to ensure that financial needs tests are applied uniformly in accordance with its written policies.

### **Nevada DETR's Response**

Nevada DETR Vocational Rehabilitation (VR) agrees with all recommendations from U.S. Dept. of Education/Single Audit findings. Specific methods to implement all recommendations are detailed above in response to each element of the finding.

**A.** The following corrective actions will be taken:

- All staff will be directed to continue to monitor Aging Reports generated by the case management system to track eligibility determinations and due dates for compliance.
- Training on eligibility timelines and lawful expectations will be provided by our internal Training Officer on 4/11/18 & 4/17/18 statewide.
- Internal Training Officer will also provide training to staff throughout the year on process, procedure and compliance to improve program performance in this area.
- QA team will provide targeted technical assistance with counseling teams for review of cases and review of policy expectations regarding eligibility.
- Update of case management system (see updated timeline for implementation) which will have integrated internal controls assisting the counselor in making timely eligibility determinations.
- Requirement of District Managers to submit to Chief weekly stats of those cases identified as pending 45 days to eligibility and those cases that will be given an extension with associated justification.
- Zero tolerance for any cases found to be out of compliance. Responsible staff will receive progressive discipline.

Administration remains committed to stricter consequences for non-compliance. In this past year, numerous Letters of Instruction have been delivered for every late eligibility identified. As a best practice, supervisors and Rehabilitation Counselor IIIs will be required to run the Aging Reports in our case management system every week to monitor and address with staff, as needed, regarding required timeframes. Their documentation of progress for compliance and any late action will be reported directly to the Bureau Chief for progressive disciplinary action. Lastly, with the Spring 2019 implementation of the new AWARE case management system, there will be increased automatic internal prompts for Certificate of Eligibility completion and compliance.

**B.** The following corrective actions will be taken:

- Training on allowable medical documentation for eligibility will be provided by our internal Training Officer on 4/11/18 & 4/17/18 statewide.
- Internal Training Officer will also provide training to staff throughout the year on process, procedure and compliance to improve program performance in this area.



- QA team will provide targeted technical assistance with counseling teams for review of cases and review of policy expectations regarding documentation allowable for eligibility.
- District Managers will stress the importance of accurate and timely scanning all documentation into the system for file integrity and proof of disability.
- Any missing documentation identified through internal QA audit, supervisory review or peer review will be elevated to supervisor and subject to progressive discipline.

C. The following corrective actions will be taken:

- All financial participation screens were completed in the electronic case management system. However, staff have been remiss on completing/capturing the physical form with signatures.
- Training on allowable accurate completion of financial participation forms, including the importance of scanning completed forms into the case management system, will be provided by our internal Training Officer on 4/11/18 & 4/17/18 statewide.
- Internal Training Officer will also provide training to staff throughout the year on process, procedure and compliance to improve program performance in this area.
- QA team to provide targeted technical assistance with counseling teams for review of cases and review of policy expectations regarding documentation of financial participation forms per the federal regulations.
- Effective 11/1/2017 VR amended our Policy and Procedures Manual, (Section 7 page 4-step 2.b.). As a result of the change, Rehabilitation Counselors will no longer need to check the “meets financial needs box.” This specific, and internally imposed inclusion of the “meets financial needs box,” is not a federal requirement and is not found in the federal regulations. Therefore, it has been removed from our Policy.

Estimated Date of Completion: **May 1, 2018** with additional training throughout the year  
 Contact Person: Mechelle Merrill, Rehabilitation Bureau Chief

**Finding 2017-021**

The Department of Employment, Training and Rehabilitation (the Department) entered into interlocal agreements with two school districts, assuming they were contracts. However, certain terms and conditions communicated in those interlocal agreements contained provisions that would only be applicable to subrecipients.

**Recommendation**

We recommend the Department enhance internal controls to ensure all interlocal agreements under Rehabilitation Services Vocational Rehabilitation Grants to States contain only provisions applicable to contracts.

### **Nevada DETR's Response**

Nevada DETR recognizes the fact that inappropriate contract format/provisions were included in the interlocal agreements and will work with State Purchasing, the State Attorney General's Office and the local school districts to amend the current /subsequent agreements to ensure that the correct contract format and applicable provisions are used.

Estimated Date of Completion: **June 15, 2018**  
Contact Person: Shelley Hendren, Administrator, Vocational Rehabilitation  
Division

### **Finding 2017-022**

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required and funds spent exceeded the contract price. In addition, suspension and debarment verification procedures were not always performed prior to entering into covered transactions.

A non-statistical sample of 60 procurement transactions out of a population of 19,705 was selected for testing, including 28 contracts subject to Appendix II to Part 200, of which 11 contracts did not contain certain applicable provisions. In two of the 28 contracts, no suspension and debarment verification procedures were performed.

### **Recommendation**

We recommend the Department enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions, comply with all contract terms, and ensure suspension and debarment verification procedures are performed prior to entering into all covered transactions.

### **Nevada DETR's Response**

The Nevada Department of Employment, Training and Rehabilitation (DETR) contacted the Attorney General's Office to advise of the additional provisions required under Appendix II to Part 200 of the Uniform Guidance for non-Federal entity contracts under Federal award. The State of Nevada contracts need to include the additional provisions to comply with Uniform Guidance.

The State of Nevada has not managed to complete an overall acceptable format change to the "standard" contract template. Therefore, DETR will provide an attachment to the contracts to include the required provisions required under Appendix II to Part 200 of the Uniform Guidance. Please see the proposed attachment which will be included in DETR written contracts.

Estimated Date of Completion: **March 30, 2018**  
Contact Person: Kathleen DeSocio, Deputy Financial Officer, Financial  
Management Section



### **Finding 2017-023**

IPEs were not always scanned into the case file.

A non-statistical sample of 60 out of 2,513 applicants deemed eligible during the fiscal year was selected for testing. Out of 60, there were only 50 applicants for which an IPE was applicable. Of the 50 IPEs tested, we noted six instances where an IPE was required and referenced in the case notes but there was no signed IPE in the case file.

### **Recommendation**

We recommend the Department enhance internal controls to ensure participants' IPEs are completed and maintained.

### **Nevada DETR's Response**

- Although an electronic record of the IPE was present in every case, Nevada Vocational Rehabilitation agrees that the signed signature page of the IPE was not captured in the case documentation in every case reviewed.
- Specific targeted training and clear guidance will be given to staff statewide to emphasize the importance of capturing all signature pages of IPE's into the scanned case documents section of the case record.
- A targeted effort will also be made to review and ensure training to our designated "scanners" to ensure no documentation is missed or delayed in any way.

Estimated Date of Completion: **May 1, 2018**

Contact Person: Mechelle Merrill, Rehabilitation Bureau Chief

### **Finding 2017-024**

IPE dates reported on the RSA-911 report were not supported by the Vocational Rehabilitation database, RAISON.

A non-statistical sample of 60 out of 2,806 individuals included on the RSA-911 report was selected for testing. Of the 60 individuals tested, we noted nine instances where the date of the IPE per the report did not match the date of the IPE per RAISON. In four of these instances, a copy of the signed IPE was not maintained in RAISON in support of the reported values.

### **Recommendation**

We recommend the Department enhance internal controls to ensure that critical data elements included on the RSA-911 report, including the date of the IPE, are supported by the data in RAISON and that supporting documentation is always maintained in the case file.

### Nevada DETR's Response

- Nevada Vocational Rehabilitation agrees with this finding. Dates in the case management system should match the dates on the signed signature pages.
- Training will be provided to staff to reinforce the importance of not assigning start dates on plans until they are in the presence of the client to provide signature on the printed signature page. Then staff must submit that document to the scanning department to record the document in their next run. Some of these instances occur when rural or remote staff is working in the field and have no access to the internal case management system and printers.
- In the new case management system, going online in Spring 2019, all staff will have the ability to access the system from a laptop/tablet and secure client signature on plans during face to face meetings.
- An email was sent to the two regional District Managers highlighting lessons learned from the audit;

### Copy of Email

**From:** Mechelle Merrill

**Sent:** Wednesday, February 28, 2018 12:59 PM

**To:** Mathew Dorangricchia; Kim Cantiero

**Cc:** Janice John

**Subject:** lessons learned from the audit

Please share these lessons learned from the recent audit with our staff:

- We are doing a poor job of making sure that every single signature page is put through scanning into Raison.
- Many IPE signature pages were missing in case docs
- Many times the dates on the signature pages are not the same date as the signature start date in Raison
- We can't be using IPE's as proof of disability, unless they are signed by the school psychologist. Even if it says "autism" we can't just accept that without a signature or other medical documentation.
- If we do an eligibility extension, we must note that in a case note and scan the signed paper into Raison. Extensions don't show on Raison reports, so we must be able to easily find them.

Mechelle Merrill MS, CRC, CPM  
Bureau Chief  
State of Nevada  
Bureau of Vocational Rehabilitation  
O: (775)687-6862  
F: (775)684-4184  
C: (775)232-8161

Estimated Date of Completion: **May 1, 2018**

Contact Person: Mechelle Merrill, Rehabilitation Bureau Chief

**Contract Provisions for Non-Federal Entity Contracts Under Federal Awards  
(In accordance with 2 C.F.R. Part 200, Appendix II)**

In addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable.

(A) Contracts for more than the simplified acquisition threshold currently set at \$150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

(B) All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.

(C) Equal Employment Opportunity. Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland "Anti-Kickback" Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

(E) Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708). Where applicable, all contracts awarded by the non-Federal entity in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 U.S.C. 3702 of the Act, each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of 40 U.S.C. 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

(F) Rights to Inventions Made Under a Contract or Agreement. If the Federal award meets the definition of "funding agreement" under 37 CFR §401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that "funding agreement," the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

(G) Clean Air Act (42 U.S.C. 7401-7671q.) and the Federal Water Pollution Control Act (33 U.S.C. 1251-1387), as amended—Contracts and subgrants of amounts in excess of \$150,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401-7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251-1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

(H) Debarment and Suspension (Executive Orders 12549 and 12689)—A contract award (see 2 CFR 180.220) must not be made to parties listed on the governmentwide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR part 1986 Comp., p. 189) and 12689 (3 CFR part 1989 Comp., p. 235), "Debarment and Suspension." SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

(I) Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)—Contractors that apply or bid for an award exceeding \$100,000 must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award.

(J) See §200.322 Procurement of recovered materials.

BRIAN SANDOVAL  
Governor



RICHARD WHITLEY, MS  
Director

STEVE H. FISHER  
Administrator

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

**Eligibility & Payments**

1470 College Parkway  
Carson City, Nevada 89706-7924  
Telephone (775) 684-0500 • Fax (775) 684-0617  
<http://dwss.nv.gov>

**CORRECTIVE ACTION PLAN FOR AUDIT FINDING**

Date: March 2, 2018

Program: U.S. Department of Health and Human Services  
TANF Cluster:  
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Finding number: 2017-025

Finding: Complete applications were not always obtained, nor maintained, and certain TANF assistance amounts were not calculated in accordance with program requirements.

Corrective Action Taken  
or To Be Taken:

The issues cited are isolated and have not been identified as trends through our multiple levels of review. DWSS has a number of controls which are used to review eligibility determinations, and subsequently address issues found during the reviews. We will officially be adding a 5<sup>th</sup> level of review through our business process post-implementation reviews. Those reviews focus on our business processes which include a sampling of 75 cases, observation of live interviews to ensure scripts are being followed, adherence to workflow, and now a review of the application for completeness. The other levels consist of monthly supervisory reviews, management evaluation reviews, quality assurance reviews, and process improvement reviews. In addition, a yearly statewide training conference covers topics related to issues found in reviews, and helps reinforce policy. The next conference is scheduled for March 20-22, 2018. These reviews, as well as the yearly statewide conference, have helped improve the agency's accuracy rate. The agency has also a series of monthly "tips" when a significant issue is found. These tips are sent to all 800+ eligibility workers and serve as reminders of policy and process.

If already taken,  
date of completion:

If to be taken, estimated  
date of completion:

Business Process post-implementation review Reno District Office March 26-30, 2018. Nine additional offices scheduled for review through the close of November 2018.  
Statewide Employee Conference: March 20-22, 2018

Agency Response

Does the Agency agree  
With finding:

Yes  X

No \_\_\_\_\_

Partially \_\_\_\_\_

If No or Partial, please  
Explain reason(s) why:  
Additional Comments:

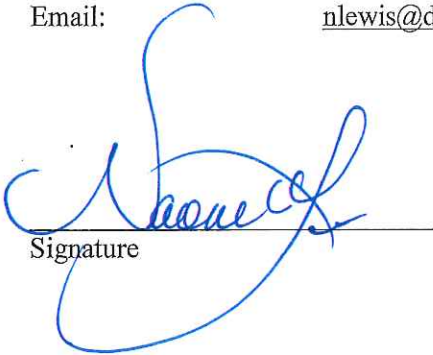
*"Working for the Welfare of ALL Nevadans"*

Individual Responsible for Corrective Action Plan

Name, Title: Naomi Lewis, Deputy Administrator  
Phone Number: 775-684-0618  
Email: [nlewis@dwss.nv.gov](mailto:nlewis@dwss.nv.gov)

Name, Title: Naomi Lewis, Deputy Administrator  
Phone Number: 775-684-0618  
Email: [nlewis@dwss.nv.gov](mailto:nlewis@dwss.nv.gov)

Reviewed and Approved



Signature

3/5/2018  
Date



BRIAN SANDOVAL  
Governor



RICHARD WHITLEY, MS  
Director

STEVE H. FISHER  
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
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**CORRECTIVE ACTION PLAN FOR AUDIT FINDING**

Date: March 5, 2018

Program: U.S. Department of Health and Human Services  
TANF Cluster:  
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Finding number: 2017-026

Finding: Certain applicable provisions described in Appendix II to Part 200 were not always included in contracts as required. This occurred with a National Association of State Procurement Officers (NASPO) contract in which Nevada relied on the lead state to draft the contract.

Corrective Action Taken  
or To Be Taken:

DWSS staff will work with the Nevada Department of Health and Human Services, as well as the Division of Purchasing in effort to remediate conflicts and support compliance with both State and Federal procurement guidelines.

If already taken,  
date of completion:

If to be taken, estimated  
date of completion:

Collaboration with other state entities has begun. Completion date will be dependent on timeframes required for contract amendment processes necessary to incorporate the required language.

Agency Response

Does the Agency agree  
With finding:

Yes  X

No

Partially

If No or Partial, please  
Explain reason(s) why:

Additional Comments:

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BRIAN SANDOVAL  
Governor



RICHARD WHITLEY, MS  
Director

STEVE H. FISHER  
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
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**CORRECTIVE ACTION PLAN FOR AUDIT FINDING**

Date: March 5, 2018

Program: U.S. Department of Health and Human Services

CCDF Cluster:

Child Care and Development Block Grant, CFDA 93.575

Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Finding number: 2017-027

Finding: Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

Corrective Action Taken  
or To Be Taken:

Procedures were updated and staff have been trained to include the CFDA number on the description line of all payment vouchers to sub recipients. Implementation of the Department template for sub-awards includes a section which requires information related to the source of funds, including the Federal Award number.

If already taken,  
date of completion:

January 31, 2017 - payment description; March 31, 2017 – sub-award template

If to be taken, estimated  
date of completion:

Agency Response

Does the Agency agree  
With finding:

Yes

No

Partially

If No or Partial, please  
Explain reason(s) why:


Additional Comments:

Implementation of corrective action occurred in the later portion of the previous fiscal year. The timeframe reviewed for this audit included documentation prior to implementation of procedural updates.

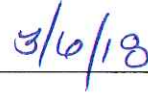
*“Working for the Welfare of ALL Nevadans”*

Individual Responsible for Corrective Action Plan

Name, Title: Jessica Hoban, Acting Chief of Accounting  
Phone Number: 775-684-0655  
Email: [hobanj@dwss.nv.gov](mailto:hobanj@dwss.nv.gov)

  
Signature \_\_\_\_\_  
*for J Fisher*

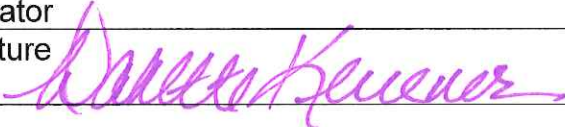
Reviewed and Approved

  
Date \_\_\_\_\_



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF CHILD AND FAMILY SERVICES  
4126 TECHNOLOGY WAY, SUITE 300  
CARSON CITY, NV 89706  
Telephone (775) 684-4400 • Fax (775) 684-4455  
dcfs.nv.gov

Date:	March 8, 2018
Program:	Title IV-E Foster Care 93.658
<b>Corrective Action Plan</b>	
Finding Number:	2017-028
Finding:	Duplicate payments were made to certain providers.
Corrective Action Taken or To Be Taken	<p>The Information Technology Unit that manages the UNITY/SACWIS system has identified problems with the concurrency rules in the UNITY Child Welfare Information System, testing has occurred and additional issues have been discovered. Due to the complexity of this issue additional time is required for programming and testing. Which must be followed by user training to ensure the solution corrects the problems identified. Progress continues by reducing the amount of duplicate payments.</p> <p>The Eligibility staff will continue to review payments prior to issuance of the payment to try and catch any improper payments from being issued to the providers. This manual process will stay in effect until validation of corrective action of the UNITY Payments System.</p>
If already taken, date of completion:	The IMS workgroup is making progress on this issue and will continue until fully rectified. Currently, programming has continued, user testing will occur once the design is completed, and then production deployment.
If to be taken, estimated date of completion:	<p>Overpayment letters have been issued to the 9 providers to recoup the 10 duplicate payments in the amount of \$418.90.</p> <p>The claims detail has been provided to Fiscal to process the IV-E Claim adjustment on the next Federal Quarterly Report.</p>
<b>Agency Response</b>	

Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	Prior Year Finding 2014-39 and 2015-39 and 2016-036
<b>Division Responsible for Corrective Action</b>	
Name, Title	Melaine Mason, Administrative Services Officer 3
Address	4126 Technology Way
City, State, Zip Code	Carson City, NV 89706
Phone Number	775-684-4462
Email	mmason@dcs.nv.gov
<b>Reviewed and Approved</b>	
Danette Kluever, Deputy Administrator	
Date: 3/7/18	Signature 



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4126 TECHNOLOGY WAY, SUITE 300  
CARSON CITY, NV 89706  
Telephone (775) 684-4400 • Fax (775) 684-4455  
dcfs.nv.gov

Date:	March 8, 2018
Program:	Title IV-E Foster Care 93.658
<b>Corrective Action Plan</b>	
Finding Number:	2017-029
Finding:	Quarterly Financial Reports (CB-496), number of children report for Title IV-E Maintenance Assistance Payments was reported inaccurate.
Corrective Action Taken or To Be Taken	The Division will enhance internal controls to ensure the most recent report received by the Counties is used to compile the CB-496.
If <u>already</u> taken, date of completion:	A notation in the federal report procedure has been made to ensure the most recent report submitted by the Counties is used to complete the federal reporting process.
If to be taken, estimated date of completion:	
<b>Agency Response</b>	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	
<b>Division Responsible for Corrective Action</b>	
Name, Title	Melaine Mason, Administrative Services Officer 3
Address	4126 Technology Way
City, State, Zip Code	Carson City, NV 89706
Phone Number	775-684-4462
Email	mmason@dcfs.nv.gov
<b>Reviewed and Approved</b>	
Danette Kluever, Deputy Administrator	
Date: 3/7/18	Signature <i>Danette Kluever</i>



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4126 TECHNOLOGY WAY, SUITE 300  
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dcfs.nv.gov

Date:	March 8, 2018
Program:	Title IV-E Foster Care 93.658 and Adoption Assistance 93.659
<b>Corrective Action Plan</b>	
Finding Number:	2017-030
Finding:	While no instances of noncompliance were noted, there was no discernible evidence that some eligibility determinations were reviewed by an individual independent of the determination.
Corrective Action Taken or To Be Taken	The Eligibility Unit put a review and approval system in place immediately following recommendations from the 2015-40 audit recommendation to implement controls to provide for the review of eligibility determinations by an individual independent of the initial determination. The Eligibility Unit added a "Reviewed By" line to the already in place review checklist to be signed by the independent reviewer.  Staff continue to follow the internal controls and procedure put in place effective, February 2016.
If <u>already</u> taken, date of completion:	The Eligibility Determination Review Procedure was implemented February 23, 2016. The Eligibility Determination review checklist was updated to reflect the "Reviewed By" signature line on January 29, 2018.
If to be taken, estimated date of completion:	
<b>Agency Response</b>	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	Fully Implemented
<b>Division Responsible for Corrective Action</b>	
Name, Title	Melaine Mason, Administrative Services Officer 3
Address	4126 Technology Way
City, State, Zip Code	Carson City, NV 89706
Phone Number	775-684-4462
Email	mmason@dcfs.nv.gov
<b>Reviewed and Approved</b>	



Danette Kluever, Deputy Administrator

Date 3/7/2018

Signature 



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CARSON CITY, NV 89706  
Telephone (775) 684-4400 • Fax (775) 684-4455  
dcfs.nv.gov

Date:	March 8, 2018
Program:	Title IV-E Foster Care 93.658, Title IV-E Adoption 93.659
<b>Corrective Action Plan</b>	
Finding Number:	2017-031
Finding:	Subawards were not issued and the information required by Uniform Guidance was not communicated. In addition, the CFDA number was not identified to the subrecipient at the time of disbursement. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate monitoring was not performed. Management decisions for audit findings were not provided to the subrecipient.
Corrective Action Taken or To Be Taken	Subgrant awards will be issued that will include all elements that need to be communicated per Uniform Guidance.  The CFDA number will be entered on each line item of each voucher. Upon issuance of new subgrant awards the CFDA number will replace the alpha grant identifier.  Risk Assessments will be completed on each subrecipient.  GMU will write a procedure to ensure a review of the A-133 Audit and financial statements is done for all subrecipients and a management decision is issued by DCFS.
If <u>already</u> taken, date of completion:	The CFDA number is included on each payment voucher effective February 2018. Risk Assessments process implemented November 2017. At this time Clark and Washoe Counties had a risk assessment performed.
If to be taken, estimated date of completion:	Subgrant awards will be issued July 1, 2018 for SFY 2019. Procedures will be completed by June 30, 2018.
<b>Agency Response</b>	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	
<b>Division Responsible for Corrective Action</b>	
Name, Title	Priscilla Colegrove, Administrative Services Officer IV



March 6, 2018

Page 2

Address	4126 Technology Way
City, State, Zip Code	Carson City, NV 89706
Phone Number	(775) 684-7953
Email	pcolegrove@dcfs.nv.gov
<b>Reviewed and Approved</b>	
Danette Kluever, Deputy Administrator	
Date <i>3/7/2018</i>	Signature <i>Danette Kluever</i>

BRIAN SANDOVAL  
Governor



RICHARD WHITLEY, MS  
Director

STEVE H. FISHER  
Administrator

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

**Eligibility & Payments**

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Carson City, Nevada 89706-7924  
Telephone (775) 684-0500 • Fax (775) 684-0617  
<http://dwss.nv.gov>

**CORRECTIVE ACTION PLAN FOR AUDIT FINDING**

Date: March 2, 2018

Program: U.S. Department of Health and Human Services  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

Finding number: 2017-032

Finding: An individual was determined eligible, but placed in an incorrect aid category.

Corrective Action Taken  
or To Be Taken:

DWSS has several controls which are used to review eligibility determinations, and subsequently address issues found during the reviews. The 5 levels consist of monthly supervisory reviews, management evaluation reviews, business process post-implementation reviews, quality assurance reviews, and process improvement reviews. In addition, a yearly statewide training conference covers topics related to issues found in reviews, and helps reinforce policy. These reviews, as well as the yearly statewide conference, have helped improve the agency's accuracy rate in the non-MAGI Medicaid program. In order to address ongoing needs, the DWSS training unit, in conjunction with the program policy unit, is currently writing a series of trainings to be implemented in mid-to-late 2018 via a targeted "academy" which will address the entire non-MAGI program as a whole. The agency has also a series of monthly "tips" when a significant issue is found. These tips are sent to all eligibility workers and serve as reminders of policy and process.

If already taken,  
date of completion:

If to be taken, estimated  
date of completion:

Non-MAGI academy: Mid-to-late 2018  
Statewide Employee Conference: March 20-22, 2018

Agency Response

Does the Agency agree  
With finding:

Yes  No  Partially

*"Working for the Welfare of ALL Nevadans"*

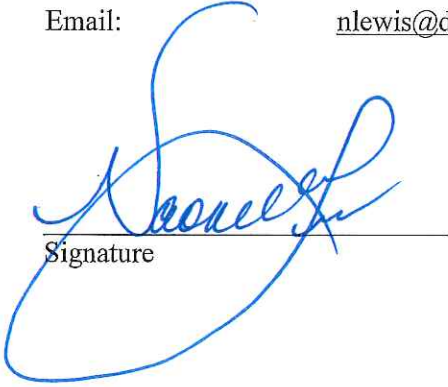
March 5, 2018  
Page 2

If No or Partial, please  
Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title: Naomi Lewis, Deputy Administrator  
Phone Number: 775-684-0618  
Email: [nlewis@dwss.nv.gov](mailto:nlewis@dwss.nv.gov)



Signature

Reviewed and Approved

3/5/2018  
Date

BRIAN SANDOVAL  
Governor



RICHARD WHITLEY, MS  
Director

MARTA JENSEN  
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF HEALTH CARE FINANCING AND POLICY  
1100 East William Street, Suite 101  
Carson City, Nevada 89701  
Telephone (775) 684-3676 • Fax (775) 687-3893  
<http://dhcfp.nv.gov>

Date: March 8, 2018

Program: U.S. Department of Health and Human Services  
Children's Health Insurance Program (CHIP), CFDA 93.767  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey & Certification of Health Care Providers and Suppliers (Title XVIII)  
Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

**Corrective Action Plan**

Finding Number: 2017-033

Finding: Support could not be provided for pharmaceutical claims to verify that the amount paid was correct.

Corrective Action: The Division will provide a single point of contact for current and future auditors. The Administrative Services Officer 3 (ASO3) in Fiscal Services (Position Control Number 0027) will serve in this role and will coordinate the collection of information for the auditors. In addition, subcontractors will be included on the contact list presented to auditors at the start of the audit.

Division staff verified that the appropriate rates were used for these claims and provided the auditors with links to the needed tables to complete the validation required for this audit.

Date of Completion: March 1, 2018

**Agency Response**

Does the Agency  
Agree with finding: Yes

**Person Responsible for Corrective Action**

Name, Title: Ellen Crecelius, Administrative Services Officer 4  
Phone Number: 775-684-3668  
Email: [ellen.crecelius@dhcfp.nv.gov](mailto:ellen.crecelius@dhcfp.nv.gov)

A handwritten signature in blue ink that reads "Marta Jensen".

Signature of Administrator

Reviewed and Approved

A handwritten date in blue ink that reads "3/9/18".

Date





DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF HEALTH CARE FINANCING AND POLICY  
1100 East William Street, Suite 101  
Carson City, Nevada 89701  
Telephone (775) 684-3676 • Fax (775) 687-3893  
<http://dhcfp.nv.gov>

Date: March 9, 2018

Program: U.S. Department of Health and Human Services  
Children's Health Insurance Program (CHIP), CFDA 93.767  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey & Certification of Health Care Providers and Suppliers (Title XVIII)  
Medicare, CFDA 93.777  
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

**Corrective Action Plan**

Finding Number: 2017-034

Finding: Amounts reported on the *Quarterly Statement of Expenditures for the Medical Assistance Program (CMS-64)* and the *Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI (CMS-21)* were not supported by the underlying accounting information and therefore, were not reported in accordance with program requirements. The CMS-21 included amounts from the previous quarter in error.

Corrective Action: A new Federal reporting team was hired during October and November 2017. This new team has updated the procedure manuals to be more detailed and definitive in data pulls and processes for preparing the CMS 64 reports. These manuals will be updated quarterly as the team gains additional experience and knowledge of the requirements and processes.

To ensure accuracy of federal reporting, processes and quarterly reports will be reviewed by the team's direct supervisor (Administrative Services Officer 3, Position Control Number 0027) and the Division's Chief Financial Officer (Administrative Services Officer 4, Position Control Number 0038). In addition, staff will retain electronic data pulls and work files for future reference.

Staff have identified the cause of the discrepancy in Lines 17A, 17B, and 17C1. This information has been provided to the auditor. Staff continue to research the other discrepancies.

Date of Completion: April 1, 2018

**Agency Response**

Does the Agency  
Agree with finding: Yes

March 9, 2018

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**Person Responsible for Corrective Action**

Name, Title: Ellen Crecelius, Administrative Services Officer 4  
Phone Number: 775-684-3668  
Email: [ellen.crecelius@dncfp.nv.gov](mailto:ellen.crecelius@dncfp.nv.gov)

*Marta Jensen*

Reviewed and Approved

*3/9/18*

Signature of Administrator

Date

BRIAN SANDOVAL  
Governor



JULIE KOTCHEVAR, Ph.D.  
Administrator

RICHARD WHITLEY, MS  
Director

LEON RAVIN, M.D.  
Acting Chief Medical Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH  
4150 Technology Way  
Carson City, Nevada 89706  
Telephone (775) 684-4200 • Fax (775) 687-7570  
<http://dpbh.nv.gov>

March 9, 2018

Eide Bailly LLP, CPA's performed an annual single audit of the Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, active during the State of Nevada's fiscal year 2017 which ended June 30, 2017.

Finding 2017-035: Procurement, Suspension, and Debarment.

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. Suspension and debarment verification procedures were not always performed prior to entering into covered transactions.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

Although the Division has requested the standard templates for contracts and leases be updated to include applicable provisions by the State Purchasing Division and State Public Works, as of today this request has not been approved. Therefore, the Contract Unit will add an addendum to the contracts scope of work providing the federal required language regarding: Suspension/Debarment, Anti-Lobbying and Clean Air/Clean Water Act. Additionally, the Accounting Unit is verifying suspension and debarment by reviewing the Excluded Parties List System prior to entering into covered transactions. Agency implementation began July 1, 2017. The Division will revise its policies and procedures to reflect these changes.

Date of Completion: Contract Unit: July 1, 2018  
Accounting Unit: Implemented July 1, 2017

Responsible Party: Leases and Contracts: Kelli Quintero, Administrative Services Officer III  
Requisitions: Wendy Koch, Management Analyst IV

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Julie Kotchevar".

Julie Kotchevar, Administrator



BRIAN SANDOVAL  
Governor



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March 9, 2018

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Finding 2017-036: Other

Amounts reported on the SEFA did not properly reflect amounts provided to subrecipients.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

The agency used the assigned General Ledger (GL) code for Nevada State Higher Education (NSHE) unaware this was being incorrectly pulled into the reconciliations of the Single Audit Reporting Forms (SARF). The Grants Management Unit and the Accounting unit will revise procedures and train the fiscal staff who process and approve expenditures on the appropriate GL. This change will ensure these expenditures are not pulled into the automated reporting process for the Single Audit Reporting Forms provided to the State Controller's office for the SEFA form. Once the GL process is complete the internal SARF reconciliation procedures will be revised.

Date of Completion: April 1, 2018

Responsible Party: Grants Management Unit: Michele Silzell, Management Analyst IV  
Accounting Unit: Wendy Koch, Management Analyst IV

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Julie Kotchevar".

Julie Kotchevar, Administrator



BRIAN SANDOVAL  
*Governor*



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March 9, 2018

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Finding 2017-037: Subrecipient Monitoring

A. Subawards did not include certain information required by Uniform Guidance. In addition, the CFDA number was not identified at the time of disbursement prior to April 2017.

B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

C. The Nevada Division of Public and Behavioral Health (the Division) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable and ensure the subrecipient took timely corrective action to all audit findings, as applicable.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

A. As of April 1, 2017, the agency implemented the "CFDA number, name and amount" within the "Additional Description" field of all payment vouchers.

B. Risk Assessment tools will be developed and referenced within internal controls.

C. Although the coordination of verifying that required audit reports were received, reviewed and appropriately acted upon was assigned to an Accounting Assistant III new to the Grants Management Unit, due to heavy workload, these procedures were not implemented. The managers within the Grants Management Unit will establish internal controls, as well as policy and procedures, for the agency regarding audit findings of subgrantees. The Accounting Assistant III will work with the Contract/Grants Management Unit, the assigned Administrative Services Officer, and program staff to ensure the audit reports are being received, reviewed, followed up, logged and tracked through completion. Management review and corrective actions/findings will be reviewed and approved by Division Administration.

BRIAN SANDOVAL  
Governor



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Date of Completion: April 1, 2018

Responsible Party: A. Wendy Koch, Management Analyst IV  
B. Kelli Quintero, Administrative Services Officer III  
C. Kelli Quintero, Administrative Services Officer III

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Julie Kotchevar".

Julie Kotchevar, Administrator

cc: Kurt Schlicker, CPA, Eide Bailly, LLP  
Daniel Crossman, Chief Deputy Legislative Auditor, Legislative Counsel Bureau  
Steven Weinberger, Administrator, Division of Internal Audits, Governor's Finance Office  
Richard Whitley, Director, DHHS  
Vanessa Alpers, Deputy Director, DHHS  
Debi Reynolds, Deputy Administrator, DPBH  
Julia Peek, Deputy Administrator, DPBH  
Beth Handler, Bureau Chief, DPBH  
Kyle Devine, Bureau Chief, DPBH