

# STATE OF NEVADA

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## Performance Audit

Office of the Governor  
Agency for Nuclear Projects

2013



Legislative Auditor  
Carson City, Nevada

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# Audit Highlights



Highlights of performance audit report on the Agency for Nuclear Projects issued on January 7, 2014. Legislative Auditor report # LA14-08.

## Background

The Agency for Nuclear Projects (Agency) was established by executive order in 1983 following passage of the federal Nuclear Waste Policy Act of 1982. The 1985 Legislature formally established the Agency in statute and created a seven-member Commission on Nuclear Projects to advise the Agency and provide guidance to the Governor and Legislature on matters concerning the high-level nuclear waste program. In 1997, the Legislature placed the Agency within the Office of the Governor.

The Agency's mission is to assure that the health, safety, and welfare of Nevada's citizens and the State's unique environment and economy are adequately protected with regard to any federal high-level nuclear waste disposal activities in the State.

## Purpose of Audit

The purpose of this audit was to evaluate the Agency's financial and administrative practices over contract monitoring, property and equipment, employee compensation, and the ongoing monitoring of its system of internal controls. This audit focused on the Agency's financial and administrative activities during fiscal year 2013.

## Audit Recommendations

This report contains no audit recommendations.

# Agency for Nuclear Projects

## Office of the Governor

### Summary

The Agency for Nuclear Projects had adequate internal controls over key financial and administrative functions. Specifically, the Agency properly monitored its contracts with consultants to help ensure contract payments were appropriate and that consultants complied with contract terms and state requirements. In addition, the Agency maintained adequate controls over its property and equipment. Furthermore, employee compensation did not exceed the maximum amount authorized by state law. Finally, the Agency complied with state requirements for periodic reviews and reporting of its system of internal controls.

### Key Findings

There are no audit findings to report.

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Legislative Commission  
Legislative Building  
Carson City, Nevada

This report contains the conclusions from our performance audit of the Office of the Governor, Agency for Nuclear Projects. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

We are available to discuss the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA  
Legislative Auditor

October 7, 2013  
Carson City, Nevada

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# Introduction

## **Background**

The Agency for Nuclear Projects (Agency) was established by executive order in 1983 following passage of the federal Nuclear Waste Policy Act of 1982. The 1985 Legislature formally established the Agency in statute and created a seven-member Commission on Nuclear Projects to advise the Agency and provide guidance to the Governor and Legislature on matters concerning the high-level nuclear waste program. In 1997, the Legislature placed the Agency within the Office of the Governor.

The mission of the Agency is to assure that the health, safety, and welfare of Nevada's citizens and the state's unique environment and economy are adequately protected with regard to any federal high-level nuclear waste disposal activities in the State. The Agency oversees the federal high-level radioactive waste disposal program; carries out independent technical, socioeconomic, and other studies; works closely with state agencies and local governments on matters relating to radioactive waste; and provides information to the Governor, Legislature, and any interested parties. The seven-member Commission advises the Governor and Legislature on nuclear waste issues and oversees Agency activities.

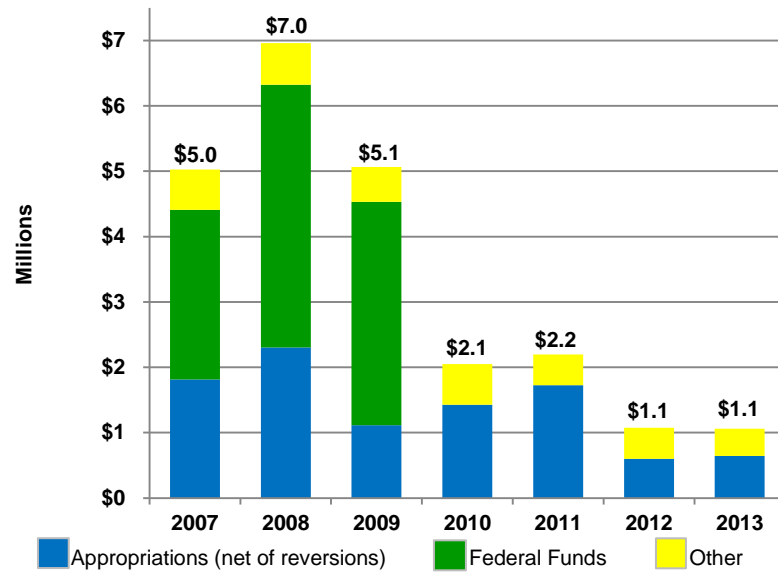
## **Staffing and Budget**

The Agency maintains an office located in Carson City. Because of the decrease in activity related to the Yucca Mountain licensing proceedings and federal litigation, the Agency's General Fund Appropriations were reduced in recent years. In addition, the Department of Administration assumed responsibility for the Agency's fiscal functions. In 2010, staffing levels were reduced from seven to four positions, and the Office of the Attorney General began receiving federal funds previously allocated to the Agency for the state's defense of Yucca Mountain licensing

proceedings. Exhibit 1 shows the Agency's revenues from fiscal years 2007 through 2013.

**Agency for Nuclear Projects  
Revenues  
Fiscal Years 2007 to 2013**

**Exhibit 1**



Source: State accounting system.

Note: Other revenues consist primarily of Highway Funds transferred from the Department of Transportation and funding from the Western Governors' Association.

Exhibit 2 shows the Agency's expenditures for fiscal year 2013.

**Agency for Nuclear Projects  
Expenditures  
Fiscal Year 2013**

**Exhibit 2**

<b>Category</b>	
Personnel	\$ 433,692
Highway Funded Contracts	321,297
State Funded Contracts	111,615
Operating	68,283
Inter-Agency Transfers	97,608
Cost Allocations	17,827
Travel	4,961
Information Services	2,102
<b>Total</b>	<b>\$1,057,385</b>

Source: State accounting system.

Note: Inter-agency transfers consists primarily of Western Governors' Association funding passed through to other state agencies for the oversight of nuclear waste shipments.

### **Contracting Activities**

The Agency contracts with consultants for assistance with research, impact monitoring, reporting, and expert witness services. This work supports the state's activities with the Yucca Mountain licensing proceeding before the U.S. Nuclear Regulatory Commission and oversight of the federal Yucca Mountain repository program. In addition, the Agency contracts for services to coordinate the state's oversight of shipments of transuranic<sup>1</sup> and low-level radioactive waste within Nevada. Further, in conjunction with the Office of the Attorney General, the Agency is a party to the contract to engage special counsel for the State to block development of the proposed high-level nuclear waste repository at Yucca Mountain and to assist the State in nuclear-specific litigation efforts. The Office of the Attorney General paid the majority of the legal fees for this contract.

### **Scope and Objective**

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This audit focused on the Agency's financial and administrative activities during fiscal year 2013. Our audit objective was to evaluate the Agency's financial and administrative practices over contract monitoring, property and equipment, employee compensation, and the ongoing monitoring of its system of internal controls.

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<sup>1</sup> Transuranic waste is material contaminated with artificially made radioactive elements, such as plutonium, and primarily produced from recycling spent fuel or using plutonium to fabricate nuclear weapons.

## Audit Conclusion

The Agency for Nuclear Projects had adequate internal controls over key financial and administrative functions. Specifically, the Agency properly monitored its contracts with consultants to help ensure contract payments were appropriate and that consultants complied with contract terms and state requirements. In addition, the Agency maintained adequate controls over its property and equipment. Furthermore, employee compensation did not exceed the maximum amount authorized by state law. Finally, the Agency complied with state requirements for periodic reviews and reporting of its system of internal controls. Consequently, this report contains no findings or recommendations.



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# Appendix A

## Audit Methodology

To gain an understanding of the Agency for Nuclear Projects, we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to the Agency's activities. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the activities of the Agency. Furthermore, we documented and assessed the adequacy of financial and administrative controls over the Agency's activities involving contracting, property and equipment, employee compensation, and its internal control reviews.

To determine if the Agency had adequate financial and administrative practices over consulting contracts, we selected the three consulting contracts over \$6,000 that were in effect during fiscal year 2013. We reviewed the contracts for compliance with state requirements and proper contract monitoring. In addition, to determine if payments to contractors were proper and the monitoring of contractors' performance was adequate, we tested a judgmental sample of 10 high dollar payments from a total of 32 (31%) paid in fiscal year 2013.

To evaluate compliance with property and equipment requirements, we verified all of the Agency's property and equipment existed and was properly recorded. To determine if unclassified employees were paid in accordance with state law, we compared payroll records to amounts authorized by the Legislature for the four employees. To determine if the Agency took appropriate steps to strengthen the system of internal controls since our prior audit, we reviewed the Agency's written procedures and its report on internal control.

Our audit work was conducted from May to August, 2013. We conducted this performance audit in accordance with generally

accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Executive Director of the Agency for Nuclear Projects. On September 27, 2013, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B which begins on page 7.

Contributors to this report included:

Diana Giovannoni, CPA  
Deputy Legislative Auditor

Rocky Cooper, CPA  
Audit Supervisor

# Appendix B

## Response From the Agency for Nuclear Projects

BRIAN SANDOVAL  
*Governor*

STATE OF NEVADA

ROBERT J HALSTEAD  
*Executive Director*



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October 4, 2013

Paul V. Townsend, Legislative Auditor  
Legislative Counsel Bureau  
Legislative Building  
401 S. Carson Street  
Carson City, Nevada 89701

Dear Mr. Townsend:

Thank you for the opportunity to provide comments on the preliminary audit report on the Agency for Nuclear Projects. The Agency has striven to maintain compliance with all applicable procedures and regulations.

The Agency is very pleased that there were no findings made during the audit. The LCB auditor who performed the audit, Diana Giovannoni, did so in a professional and very thorough manner.

We will attend the presentation of this audit report to the Audit Subcommittee of the Legislative Commission. Please keep us informed as to the schedule for this meeting.

Thank you again for this opportunity to comment on this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Halstead", with a long horizontal flourish extending to the right.

Robert J. Halstead  
Executive Director