

# STATE OF NEVADA

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## Performance Audit

Department of Health and Human Services  
Director's Office

2018



Legislative Auditor  
Carson City, Nevada

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# Audit Highlights



Highlights of performance audit report on the Department of Health and Human Services, Director's Office issued on May 2, 2018. Legislative Auditor report # LA18-16.

## Background

The Department of Health and Human Services promotes the health and well-being of Nevadans through the delivery of essential services to ensure families are strengthened, public health is protected, and individuals achieve their highest level of self-sufficiency. For fiscal year 2017, the Director's Office (Office) was responsible for 11 budget accounts with nearly \$73 million in revenues and expenditures. Of this, nearly \$26 million is related to grant programs and administration.

The Office of Community Partnerships and Grants, known as the Grants Management Unit is an administrative unit within the Office that administers grants for local, regional, and statewide programs serving Nevadans. Its mission is to help families reach their highest level of self-sufficiency by supporting community agencies that provide service through engagement, advocacy, and resource development.

## Purpose of Audit

This audit included a review of grant awards and payments made in fiscal years 2016 and 2017. The purpose of our audit was to determine if the Director's Office had sufficient controls to ensure grant awards and payments were appropriate.

## Audit Recommendations

This audit report contains eight recommendations to improve grant administration. These recommendations address coordination between the Office and its various divisions regarding grant awarding and monitoring activities and developing policies, procedures, and controls over grant administration activities.

The Office accepted the eight recommendations.

## Recommendation Status

The Department's 60-day plan for corrective action is due on July 27, 2018. In addition, the six-month report on the status of audit recommendations is due on January 27, 2019.

# Director's Office

## Department of Health and Human Services

### Summary

The Director's Office needs to improve controls over grant awards and payments. Grantees received payment for services that exceeded the cost to provide the service. In total, grantees overstated personnel costs by \$870,000. Of this, overpayments were made in the amount of \$176,000, and \$682,000 was improperly categorized as federal cost share to obtain funding. Overpayments occurred partially because grantees were awarded funding for the same position across multiple grants that exceeded 100% of the employee's time and effort. Furthermore, the Office does not coordinate awarding or fiscal monitoring activities with its various divisions and grant award applications were not consistent or properly completed. Finally, additional procedures and controls are needed over year-end adjustments that resulted in overpayments of \$12,000.

Provisions in grant agreements authorize the Department of Health and Human Services (DHHS) to recover these overpayments; however, recovery may not be cost effective. As noted in the report, we did not determine overpayments for 6 of 10 grant recipients selected because grant applications had insufficient detail. Nevertheless, based on our testing of the remaining four grant recipients, it is likely overpayments occurred for other grant recipients. Because identifying overpayments requires a detailed comparison of each payment request for multiple grants, a significant commitment of DHHS resources would be necessary to determine all overpayments. In addition, the overpayments we identified were widespread across different funding sources making it difficult to identify which funding source an overpayment might relate to. We believe DHHS's resources would be better spent taking action to correct the issues causing the overpayments than recovering past overpayments. However, the final decision on where to commit DHHS resources rests with management.

### Key Findings

Grantees requested payment for certain personnel from multiple grants that exceeded the annual salary and benefit total of the employee. Grants included state and federal funding sources, but were administered and overseen by the Office and its various divisions. Since the Office and its divisions did not coordinate grant activities, \$176,000 in personnel costs was overpaid to grantees during fiscal years 2016 and 2017. Grantees, in order to receive funding, overcharged salaries as cost share in the amount of \$682,000. Salaries and benefits were overcharged partially because some program activities are interrelated. (page 6)

Four of 10 grantees selected received additional funding because personnel performing program services were dedicated to multiple grant programs, and their time and effort claimed across the grants aggregated to more than 100%. Specifically, 33 of 134 (25%) positions noted on grant applications were for personnel whose time, when aggregated, exceeded a full-time equivalent position. Amounts awarded above the annual salary and benefit cost could have been utilized to fund other programs or awarded to other grantees to provide services to more people in need. (page 6)

Grantees requested funding from a federal program for personnel who were dedicated to providing service to state funded programs. Program activities between the state and federal grants were only marginally related for some personnel and were not related for others. As a result, services provided may have been less than that paid for. (page 8)

Completed grant applications did not provide detail as required, or specific information was not requested to adequately determine if grantees were requesting inappropriate funding. Seventy-eight of 170 (46%) grant applications reviewed did not provide enough information such as the name of the individual or a position number, to determine if grantees were requesting more than necessary to recover costs. Details regarding grant funding are important for determining the adequacy of requests. We noted one grantee received over \$2 million in funding for salaries and benefits for one fiscal year, but provided only minimal detail regarding the positions or employees being funded. (page 9)

Grantees also received overpayments when salaries were adjusted at the end of the fiscal and grant year. In total, two of four grantees received overpayments of nearly \$12,000 when amounts requested on June 2016 payment requests were also included on July 2016 requests. Additionally, some payment requests near year end included amounts for personnel who had not been charged to the program previously and were not listed on grant budgets. (page 10)

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This report contains the findings, conclusions, and recommendations from our performance audit of the Department of Health and Human Services, Director's Office. 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.

This report includes eight recommendations to improve grant administration. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,



Rocky Cooper, CPA  
Legislative Auditor

March 14, 2018  
Carson City, Nevada

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# Introduction

## **Background**

The Department of Health and Human Services (DHHS) promotes the health and well-being of Nevadans through the delivery of essential services to ensure families are strengthened, public health is protected and individuals achieve their highest level of self-sufficiency. The Director's Office (Office) is responsible for administering all provisions of law related to the functions of the divisions of DHHS. DHHS consists of the Director's Office, the Aging and Disability Services Division, the Division of Health Care Financing and Policy, the Division of Public and Behavioral Health, the Division of Welfare and Supportive Services, the Division of Child and Family Services, and the Office of the Public Defender.

The Director's Office is located in Carson City and operates with 64.51 full-time equivalent positions. The Office oversees 11 budget accounts. For fiscal year 2017 revenues and related expenditures amounted to \$73 million. Exhibit 1 shows combined financial information for the 11 budget accounts for fiscal year 2017.

**DHHS Director's Office Revenues and Expenditures  
Fiscal Year 2017**

**Exhibit 1**

	<b>Amount</b>	<b>Percent of Total</b>
<b><u>Revenues</u></b>		
Indigent Health Care Account	\$28,785,083	39.22%
Beginning Cash	21,380,369	29.13%
Federal Funds	21,378,043	29.13%
Transfers from Other State Agencies <sup>(1)</sup>	8,769,175	11.95%
Tobacco Fund	8,213,208	11.19%
Charge for Services	3,585,914	4.88%
State General Fund Appropriation	2,578,507	3.51%
Other Revenues <sup>(2)</sup>	460,360	0.63%
Reversions	(21,753,521)	-29.64%
<b>Total Revenues</b>	<b>\$73,397,138</b>	<b>100.00%</b>
<b><u>Expenditures</u></b>		
Indigent Hospital Care Account Claims	\$27,748,962	37.81%
Grants	25,801,294	35.15%
Transfers to Other State Agencies <sup>(1)</sup>	7,304,009	9.95%
Personnel	5,394,855	7.35%
Program Administration	3,559,005	4.85%
Other Expenditures <sup>(3)</sup>	1,864,770	2.54%
Cost Allocations	677,706	0.92%
Training, Travel, and Operating	514,042	0.70%
Reversion	532,495	0.73%
<b>Total Expenditures</b>	<b>\$73,397,138</b>	<b>100.00%</b>

Source: State accounting system.

<sup>(1)</sup> The majority of the transfers from and to other state agencies consist of interdepartmental transfers to the Upper Payment Limit Holding Account.

<sup>(2)</sup> Other revenues is comprised of interest distributions from the State Treasurer and interdepartmental cost allocations.

<sup>(3)</sup> Other expenditures primarily consists of State Public Defender post-conviction relief costs and Developmental Disabilities Council expenses.

**Grants Management Unit**

As shown in Exhibit 1, one of the larger expenditures for the Office is related to grant program administration and awards. The Grants Management Unit, officially titled the Office of Community Partnership and Grants, is an administrative unit within the Office that administers grants for local, regional, and statewide programs serving Nevadans. Its mission is to help families reach their highest level of self-sufficiency by supporting community agencies that provide service through engagement, advocacy, and resource development.

The Grants Management Unit consolidates the function and management of grant programs that pass funds through to the

community level. It was created to ensure the standardization of procedures, simplification of accounting, and co-location of staff. The efficiencies realized allow DHHS to use fewer funds for administrative purposes and to pass more funds to grantees providing direct services. Grantees have also benefited from the standardization of procedures used to request funding.

Grants administered by the Grants Management Unit include state and federal funding sources. Exhibit 2 details grant expenditures for the Office for fiscal year 2017 and the related funding source. Of the \$26 million in grant expenditures, \$13 million was passed to other divisions in DHHS to use or administer.

**Grant Management Unit – Grant Expenditures** **Exhibit 2**  
**Fiscal Year 2017**

	Amount	Percent of Grand Total
<b>State Grants</b>		
Children's Trust Fund <sup>(1)</sup>	\$ 775,636	3.01%
Differential Response	1,320,731	5.12%
Family Resource Centers	1,366,852	5.30%
Tobacco Disability	1,414,412	5.48%
Tobacco Wellness	3,510,415	13.61%
Problem Gambling	1,167,960	4.52%
<b>State Grants Total</b>	<b>\$ 9,556,006</b>	<b>37.04%</b>
<b>Federal Grants</b>		
Community Service Block Grants	\$ 3,370,563	13.06%
Title XX	12,874,725	49.90%
<b>Federal Grants Total</b>	<b>16,245,288</b>	<b>62.96%</b>
<b>Grand Total</b>	<b>\$25,801,294</b>	<b>100.00%</b>

Source: State accounting system and BASN Fund Mapping Report.

<sup>(1)</sup> The Children's Trust Fund grants are 31.33% federally funded and 68.67% state funded. They are included under the State Grants section for display purposes.

## Scope and Objective

The scope of our audit included a review of grant awards and payments made in fiscal years 2016 and 2017. Our audit objective was to:

- Determine if the Director's Office had sufficient controls to ensure grant awards and payments were appropriate.

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.



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# Overpayments Made on Grants

The Director's Office needs to improve controls over grant awards and payments. Grantees received payment for services that exceeded the cost to provide the service. In total, grantees overstated personnel costs by \$870,000. Of this, overpayments were made in the amount of \$176,000, and \$682,000 was improperly categorized as federal cost share to obtain funding. Overpayments occurred partially because grantees were awarded funding for the same position across multiple grants that exceeded 100% of the employee's time and effort. In addition, the Director's Office (Office) does not coordinate awarding or fiscal monitoring activities with its various divisions and grant award applications were not consistent or properly completed. Finally, additional procedures and controls are needed over year-end adjustments that resulted in overpayments of \$12,000.

Provisions in grant agreements authorize the Department of Health and Human Services (DHHS) to recover these overpayments; however, recovery may not be cost effective. As noted in the report, we did not determine overpayments for 6 of 10 grant recipients selected because grant applications had insufficient detail. Nevertheless, based on our testing of the remaining four grant recipients, it is likely overpayments occurred for other grant recipients. Because identifying overpayments requires a detailed comparison of each payment request for multiple grants, a significant commitment of DHHS resources would be necessary to determine all overpayments. In addition, the overpayments we identified were widespread across different funding sources making it difficult to identify which funding source an overpayment might relate to. We believe DHHS's resources would be better spent taking action to correct the issues causing the overpayments than recovering past overpayments. However, the final decision on where to commit DHHS resources rests with management.

## Grantees Receive Funding in Excess of Cost

Grantees requested payment for certain personnel from multiple grants that exceeded the annual salary and benefit total of the employee. Grants included state and federal funding sources, but were administered and overseen by the Office and its various divisions. Since the Office and its divisions did not coordinate grant activities, nearly \$176,000 in personnel costs was overpaid to grantees during fiscal years 2016 and 2017. Grantees, in order to receive funding, overcharged salaries as cost share in the amount of \$682,000. Salaries and benefits were overcharged partially because some program activities are interrelated.

### Over Dedicating Personnel on Grant Awards Leads to Overpayment

Four of 10 grantees selected received additional funding because personnel performing program services were dedicated to multiple grant programs, and their time and effort claimed across the grants aggregated to more than 100%. Specifically, 33 of 134 (25%) positions noted on grant applications were for personnel whose time, when aggregated, exceeded a full-time equivalent position. Amounts awarded above the annual salary and benefit cost could have been utilized to fund other programs or awarded to other grantees to provide services to more people in need. Exhibit 3 provides an illustration of an employee who was dedicated to multiple grant programs for one grant year.

### Illustrative Example of an Employee on Multiple Grant Applications

Exhibit 3

Responsible Department of Health and Human Services Agency	Grant Program	Dedicated Time and Effort	Salary and Benefits Requested on Application
Director's Office	Family Resource Centers <sup>(1)</sup>	75%	\$41,614
Director's Office	Children's Trust Fund <sup>(1)</sup>	25%	13,871
Division of Welfare and Supportive Services	Supplemental Nutrition Assistance Outreach Program <sup>(1)</sup>	45%	24,968
<b>Totals</b>		<b>145%</b>	<b>80,453</b>
Less Reported Annual Salary and Benefits		100%	(55,485)
<b>Amount Requested in Excess</b>		<b>45%</b>	<b>\$24,968</b>

Source: Grant applications.

<sup>(1)</sup> A description of the major grant programs providing funding to grantees by the Office and its divisions can be found in Appendix A.

Our original sample included 10 grantees who were awarded funding during fiscal year 2016. However, as noted later in our report, six of those grantees did not provide sufficient detail to determine if grant awards were over funded. Of the four grantees who provided sufficient detail, all four received funding and payments for personnel exceeding the stated annual salary and benefit cost.

Even though more funding was awarded than needed to recover costs, a state grant administrator indicated grantee accounting systems should prevent grantees from recovering more than the annual salary for employees. However, we found grantees requested payment for salaries and benefits in amounts matching that awarded. Salaries and benefits were also categorized as cost share amounts for a federal program that requires grantees to participate in program funding. This allowed grantees to receive payments they otherwise would not have qualified for. In total, 45 of 163 (28%) employees' cumulative salary charges on grant payment requests were more than the stated annual salary and benefit total by over \$858,000 for fiscal years 2016 and 2017.

Exhibit 4 shows the four grantees, the number of personnel where payments exceeded the stated annual salary and benefit total, and the amount of salary that was categorized as cost share and the amount overpaid.

#### Grant Overpayment Details

#### Exhibit 4

Grantee	Number of Overpaid Personnel	Improperly Categorized as Cost Share	Overpayments	Total Personnel Cost	Overpayment as a Percent of Personnel Cost
A	22	\$404,051	\$ 39,042	\$2,298,508	1.70%
B	2	32,173	1,986	506,921	0.39%
C	11	196,539	83,118	1,119,128	7.43%
D	10	49,259	51,684	1,153,337	4.48%
<b>Totals</b>	<b>45</b>	<b>\$682,022</b>	<b>\$175,830</b>	<b>\$5,077,894</b>	

Source: Auditor compiled from grant payment requests for fiscal years 2016 and 2017.

The Office has developed Grant Instructions and Requirements which provide guidance and conditions to grantees who apply for funding. This guidance incorporates federal standards related to

grant administration and the State Administrative Manual. Grant Instructions and Requirements indicate that in order for costs to be allowable, the amount must first be included in the grant budget, costs must be allocable to the grant and consistent with the goals and objectives of the grant. Additionally, provisions indicate that each program will only be charged for the percentage of the service used by the program and federal regulations limit compensated activities to 100% of the actual cost.

While guidelines broadly address the problem of allocating costs across grants, the Office did not have a process in place to verify if allocations on grant applications and payment requests were reasonable and appropriate since each grant was reviewed individually. Additionally, fiscal monitoring was not coordinated among the various granting agencies which prevented the Office or its divisions from noticing the unreasonableness of grant awards and payment requests.

#### **State Programs Interrelate With Federal Programs Contributing to Overpayments**

Grantees requested funding from a federal program for personnel who were dedicated to providing service to state funded programs. Program activities between the state and federal grants were marginally related for some personnel and not related for others. As a result, services provided may have been less than that paid for.

The Supplemental Nutrition Assistance Outreach Program (SNAP) is a federal program whereby various public and non-profit community based partners collaborate to increase participation in a low-income nutrition assistance program. The program requires agencies to participate in funding about half of the cost of providing program services which is known as cost sharing. Charges to the grant must be allowable and verifiable and not be contributed from another federal assistance program. Charges must also be necessary and reasonable for accomplishment of the program objective.

Even though grantees indicated personnel performed services on SNAP activities through employee timesheets, personnel could

not reasonably provide service to state funded programs and the SNAP program that grantees indicated. For instance, we noted an employee whose annual salary was primarily recovered from a state program whose primary purpose is to ensure child welfare. This employee's salary and related time and effort were also charged 100% to the federal SNAP program. Based on discussions with Office personnel, the state program activities for which the grantee was reimbursed have very little similarity with the SNAP program.

The activities for some state programs relate more directly to SNAP outreach activities than other state programs. However, the Office has not determined the appropriate level of personnel time and effort regarding activities that interrelate. Furthermore, the Office does not review, approve, or obtain sufficient information from grantees regarding how much state funding is going to be used as cost share or match for federal programs.

## **Grant Applications Not Sufficiently Detailed**

Completed grant applications did not provide detail as required, or specific information was not requested to adequately determine if grantees were requesting inappropriate funding. Seventy-eight of 170 (46%) grant applications reviewed did not provide enough information, such as the name of the individual or a position number, to determine if grantees were requesting more than necessary to recover costs. Details regarding grant funding are important for determining the adequacy of requests. We noted one grantee received over \$2 million in funding for salaries and benefits for one fiscal year, but provided only minimal detail regarding the positions or employees being funded.

Because position titles across grants were similar for health related programs, we could not match specific positions or employees for 6 of 10 grantees. For instance, one grantee submitted multiple grant applications requesting funding for Family Support Workers, Family Service Specialists and Family Support Technicians. These position titles are similar, but further information was not provided to distinguish or identify one position or employee from another. Additionally, some grant applications were submitted without any detail. One grantee was awarded \$457,000 for salaries and benefits without providing any

information such as the number of positions being funded, position titles, the time the position would be dedicated to the grant, or salary information.

Grant Management Unit funding applications requested grantees provide the title and name of each employee for whom funding was being requested. Applications also requested grantees provide salary and benefit information and disclose the percentage of time an employee would spend working on the grant program. Several divisions within the Department of Health and Human Services awarded grants; however, application forms of other divisions did not always request the same information or level of detail as requested by the Grants Management Unit.

The Office will be unable to adequately determine if grantees are requesting excess funding in the future unless adequate information is requested and obtained from grantees. Since grantees are recovering costs across multiple grants, details must be consistent in order to compare the information and make appropriate decisions regarding funding awards and payments.

## **Year-End Adjustments Not Properly Tracked**

Grantees also received overpayments when salaries were adjusted at the end of the fiscal and grant year. In total, two of four grantees received overpayments of nearly \$12,000 when amounts requested on June 2016 payment requests were also included on July 2016 requests. Additionally, some payment requests near year end included amounts for personnel who had not been charged to the program previously and were not listed on grant budgets.

Accruals (adjustments) are done at year end when expenses have been incurred but not yet paid by the end of the fiscal year. Amounts should be accounted for in the next fiscal year in order to avoid double counting.

Costs were duplicated in both fiscal years since personnel reviewing payment requests did not completely understand year-end accruals. Furthermore, grant policies and procedures did not address the review of payment requests, particularly related to year-end amounts where grantees may be compelled to recover all funding awarded.

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## Recommendations

1. Coordinate, to the extent possible, grant awarding activities to ensure grantees do not receive more than actual cost.
2. Collaborate with Department of Health and Human Services divisions who provide grant funding to develop a uniform grant application that requires sufficient information to monitor, review, and approve funding requests.
3. Develop controls over grant payments to ensure grantees do not receive excess funding.
4. Institute a consistent Department-wide approach to the fiscal monitoring of grantees.
5. Routinely identify interrelated activities between state and federal programs, calculate the percentage these activities interrelate, and develop controls to ensure grantee requests for reimbursement do not exceed the calculated percentage.
6. Require grantees disclose and provide appropriate detail before using state funds to obtain additional funding from other sources for interrelated program activities. Department personnel should review and approve such requests.
7. Develop policies, procedures, and controls over grant applications to ensure requested information is obtained prior to approving funding.
8. Develop policies, procedures, and controls over accrual adjustments and year-end payment requests to ensure amounts are appropriate. Include procedures to ensure accruals are properly accounted for in each grant year and personnel costs are for those noted on original budgets or approved budget modification requests.

# Appendix A

## Description of the Major Grant Programs Providing Funding to Grantees

Grant Title	Funding Source	Description
<b>Family Resource Centers</b>	State: Tobacco Settlement Funds	Family Resource Centers were established in 1995 under NRS 430A. Family Resource Centers provide information, referrals, and case management to individuals and families who need access to services and support.
<b>Differential Response</b>	State: Tobacco Settlement Funds	Differential Response is an early intervention and child abuse prevention program.
<b>Children's Trust Fund</b>	State/Federal	Grants focus on funding programs that provide parenting education, self-protection education for children, respite care, home visitation, and public awareness of child abuse and neglect.
<b>Supplemental Nutritional Assistance Outreach Program</b>	Federal: Covers 50% of eligible expenses	The program is a collaboration between the State and various public and non-profit community based partners to reach out to eligible low income people who are not currently participating in the SNAP program.
<b>Older Americans Act</b>	Federal	Provides in-home community based long-term care services including transportation, information and assistance, outreach, case management, homemaker or chore services, legal services, adult day care, disease prevention, and nutrition services.
<b>Community Service Block Grant</b>	Federal	Twelve agencies receive funding to provide services to low-income individuals and families to address poverty issues.
<b>Title XX</b>	Federal	Social Services Block grants support programs that allow communities to achieve or maintain economic self-sufficiency to prevent or eliminate dependency on social services.
<b>Victims of Crime Act</b>	Federal	This program promotes and supports assistance service programs for child abuse, sexual assault, and domestic violence victims.

Source: Auditor compiled from agency website and grant documents.



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# Appendix B

## Audit Methodology

To gain an understanding of the Department of Health and Human Services (DHHS), Director's Office, we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to Office operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the activities of the Office. Furthermore, we documented and assessed Office internal controls over grant administration.

To determine the population of grantees, we requested the Office provide a list of grantees awarded funding from the Office for fiscal year 2016. We utilized the State's accounting system and determined if grantees also received funding from other divisions within DHHS. The Office awarded funding to 50 grantees who, in total, were awarded nearly \$13 million in funding for fiscal year 2016. We judgmentally selected 10 grantees based on whether grantees received multiple grants and the total amount awarded.

Next, we obtained the Notice of Grant Award for each grantee and award made during fiscal year 2016 and 2017. We compiled the information from each award and determined 1) if personnel time and effort dedicated across grants exceeded 100% and 2) if costs other than personnel were duplicated. As part of this process, we identified whether grant applications specifically requested enough detail to make these determinations or if grantees did not provide requested data.

For those grantees, 4 of 10, where costs were requested in excess, we obtained monthly payment requests for each grant during the applicable year. We reviewed the payment request and compiled the detail for each employee and other cost area. We allocated benefit costs based on salary totals where necessary. Next, we compared the total for each employee and cost area to

information provided by the grantee on the grant application. In certain instances, we compared the annual salary stated on the grant application to other information provided by the grantee or used other sources to ensure reported salary amounts were reasonable. Finally, we calculated whether grantees received reimbursement that exceeded the stated cost and discussed the results with Office personnel.

For our testing involving samples, we used non-statistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objective. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of the underlying statistical concepts, we believe that non-statistical sampling provided sufficient appropriate evidence to support our conclusions in the report. We have not projected the errors noted in our samples to the population since samples were selected from Office award information, but testing included information from other divisions. As a result, certain population statistics, such as the total amount paid to all grantees department-wide was not determined as doing so would have been inefficient.

Our audit work was conducted from November 2016 to October 2017. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Director of the Department of Health and Human Services. On March 1, 2018, 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 C, which begins on page 16.

Contributors to this report included:

Eugene Allara, CPA  
Deputy Legislative Auditor

Shannon Ryan, CPA  
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# Appendix C

## Response From the Director's Office

BRIAN SANDOVAL  
Governor



RICHARD WHITLEY, MS  
Director

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March 8, 2018

Mr. Rocky Cooper, CPA, Legislative Auditor  
Legislative Counsel Bureau  
401 S. Carson Street  
Carson City, NV 89701-4747

Dear Mr. Cooper,

The Department of Health and Human Services (DHHS), Director's Office appreciates all the efforts put forth by the Legislative Counsel Bureau (LCB) in conducting and finalizing the audit report of February 20, 2018. In response to the LCB's findings and recommendations, we have moved forward with our corrective action plan. Below are the recommendations and the corresponding corrective actions.

In order to address the recommendations, the Director's Office has created a DHHS Grants Management Committee that includes grant managers from each division to standardize and streamline processes, policies, procedures and templates across DHHS. The Director's Office, Office of Community Partnership and Grants (OCPG) is finalizing a draft DHHS Grants Management Policies and Procedures Manual which will be vetted through the DHHS Grants Management Committee for Department-wide implementation. Currently, the Committee has created a standardized Notice of Subgrant Award (NOSA) and Assurances. This has been partially implemented with half of the Department's divisions. Full Department-wide implementation of the DHHS Grants Management Policies and Procedures Manual and NOSA will be no later than July 1, 2018.

**Recommendation 1: Accepted.**

**Coordinate, to the extent possible, grant awarding activities to ensure grantees do not receive more than actual cost.**

**Recommendation 3: Accepted.**

**Develop controls over grant payments to ensure grantees do not receive excess funding.**

**Recommendation 5: Accepted.**

**Routinely identify interrelated activities between state and federal programs, calculate the percentage these activities interrelate, and develop controls to ensure grantee requests for reimbursement do not exceed the calculated percentage.**

*Nevada Department of Health and Human Services  
Helping People -- It's Who We Are And What We Do*

March 12, 2018

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**Recommendation 6: Accepted.**

**Require grantees disclose and provide appropriate detail before using state funds to obtain additional funding from other sources for interrelated program activities. Department personnel should review and approve such requests.**

**Recommendation 8: Accepted.**

**Develop policies and procedures, and controls over accrual adjustments and year-end payment requests to ensure amounts are appropriate. Include procedures to ensure accruals are properly accounted for in each grant year and personnel costs are for those noted on original budgets or approved budget modification requests.**

**Corrective Action Plan for Recommendations 1, 3, 5, 6 & 8:**

The Director's Office, Office of Community Partnerships and Grants (OCPG) Request for Subgrant Award (RFSA) has been revised and will require subrecipients to include cost allocations (including match) for all funding sources upon application for funds. The OCPG's Request for Reimbursement form has also been revised and will require subrecipients to provide cost allocation backup documentation with every Request for Reimbursement. Cost allocations will also be reviewed during the subrecipients site monitor. Additionally, the DHHS Grants Management Committee will also be standardizing the minimum requirements of backup documentation necessary to processes funding requests. The OCPG's revised Request for Subgrant Award (RFSA) and Request for Reimbursement are in the process of being reviewed by the DHHS Grants Management Committee for Department-wide implementation no later than July 1, 2018.

**Current Status:** Partially Implemented. Full departmentwide implementation no later than July 1, 2018.

**Recommendation 2: Accepted.**

**Collaborate with Department of Health and Human Services divisions who provide grant funding to develop a uniform grant application that requires sufficient information to monitor, review, and approve funding requests.**

**Recommendation 4: Accepted.**

**Institute a consistent Department-wide approach to the fiscal monitoring of grantees.**

**Recommendation 7: Accepted.**

**Develop policies, procedures, and controls over grant applications to ensure requested information is obtained prior to approving funding.**

**Corrective Action Plan for Recommendations 2, 4 & 7:**

The Director's Office, Office of Community Partnership and Grants (OCPG) is finalizing a draft DHHS Grants Management Policies and Procedures Manual which will be vetted through the DHHS Grants Management Committee for Department-wide implementation as well as the Request for Subgrant Award (RFSA). Additionally, the DHHS Grants Management Committee will also be standardizing the minimum requirements for subrecipient monitoring. When minimum requirements are finalized, the Director's Office will provide Department-wide training. Subrecipient monitors will be tracked by the Director's Office to ensure they are being done timely and that monitors for subrecipients funded by multiple divisions/programs are coordinated to the extent possible and findings are shared across the Department.

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The DHHS Grants Management Committee has also been tasked to develop a standardized risk assessment tool to assist in prioritizing subrecipient monitors.


Current Status: Partially Implemented. Full departmentwide implementation no later than July 1, 2018.

Contact Information for Corrective Action Plan Implementation:

Cindy Smith, Social Services Chief III, Office of Community Partnership and Grants (OCPG)  
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Thank you for the opportunity to review, identify and address areas in which the Department can improve our grants management system. Please let us know if you have additional questions or concerns regarding our response.

Sincerely,



Richard Whitley

cc: Stacey Johnson, Deputy Director, Fiscal, Department of Health and Human Services  
Vanessa Alpers, Deputy Director, Programs, Department of Health and Human Services  
Cindy Smith, Social Services Chief III, Office of Community Partnerships and Grants

## Director's Office Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Coordinate, to the extent possible, grant awarding activities to ensure grantees do not receive more than actual cost.....	<u>  X  </u>	<u>      </u>
2. Collaborate with Department of Health and Human Services divisions who provide grant funding to develop a uniform grant application that requires sufficient information to monitor, review, and approve funding requests .....	<u>  X  </u>	<u>      </u>
3. Develop controls over grant payments to ensure grantees do not receive excess funding .....	<u>  X  </u>	<u>      </u>
4. Institute a consistent Department-wide approach to the fiscal monitoring of grantees.....	<u>  X  </u>	<u>      </u>
5. Routinely identify interrelated activities between state and federal programs, calculate the percentage these activities interrelate, and develop controls to ensure grantee requests for reimbursement do not exceed the calculated percentage.....	<u>  X  </u>	<u>      </u>
6. Require grantees disclose and provide appropriate detail before using state funds to obtain additional funding from other sources for interrelated program activities. Department personnel should review and approve such requests .....	<u>  X  </u>	<u>      </u>
7. Develop policies, procedures, and controls over grant applications to ensure requested information is obtained prior to approving funding.....	<u>  X  </u>	<u>      </u>
8. Develop policies, procedures, and controls over accrual adjustments and year-end payment requests to ensure amounts are appropriate. Include procedures to ensure accruals are properly accounted for in each grant year and personnel costs are for those noted on original budgets or approved budget modification requests .....	<u>  X  </u>	<u>      </u>
TOTALS	<u>    8    </u>	<u>      </u>