

STATE OF NEVADA

Performance Audit

Office of the Governor
Nevada Office of the Western Interstate
Commission for Higher Education

2020



Legislative Auditor
Carson City, Nevada

Audit Highlights



Highlights of performance audit report on the Nevada Office of the Western Interstate Commission for Higher Education issued on February 18, 2020.

Legislative Auditor report # LA20-10.

Background

The Office of the Governor, Nevada Office of the Western Interstate Commission for Higher Education (Office) is responsible for identifying critical gaps in the statewide health care workforce. In response, the Office provides financial assistance, reduced tuition, and preferential admission to Nevada students at participating schools. Participants must return to Nevada for 2 to 4 years to meet workforce shortages. Many remain in Nevada and continue providing needed services after they meet contractual requirements. The Office expands access to health care throughout Nevada and generates additional employment opportunities.

The Office is located in Carson City. The Office has two permanent positions: a Director and an Accounting Technician.

The Office has two budget accounts with total expenditures of \$1.48 million in fiscal year 2019.

Purpose of Audit

The purpose of the audit was to evaluate if program controls and processes ensure participants met contractual obligations and if controls over loan advances and repayments were adequate.

Our audit focused primarily on fiscal years 2018 and 2019. We also reviewed prior years as necessary.

Audit Recommendations

The audit report contains 10 recommendations to improve controls over ensuring participants meet contractual obligations and protecting financial data accuracy.

The Office accepted the 10 recommendations.

Recommendation Status

The Office's 60-day plan for corrective action is due on May 12, 2020. In addition, the 6-month report on the status of audit recommendations is due on November 12, 2020.

Nevada Office of the Western Interstate Commission for Higher Education

Office of the Governor

Summary

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

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

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

Key Findings

The Office does not adequately monitor participants to ensure they meet in-state professional practice requirements. Participants who do not return to practice in Nevada must repay the grant. Over 41% of participant files tested did not have current documentation showing compliance with requirements. Statute requires participants to provide documentation regarding practice obligations annually. However, the Office does little to ensure participants comply or grants are repaid when obligations are not met. As a result, revenue from grant repayments decreased from \$197,000 to \$70,000 between fiscal years 2017 and 2018. (page 6)

Graduation dates in the loan processing system were not always complete. About \$45,200 in program fees remain uncollected because the Office does not have adequate controls over data accuracy. The Office's loan processing system will not require repayment of program fees unless valid graduation dates are entered. (page 9)

The Office does not adequately follow up on past due loans. Seventeen loans, totaling \$94,700 were past due as of February 2019. The Office can perform collection activities earlier which may prevent accounts from becoming severely delinquent. (page 10)

The loan processing system contained significant errors. Many of the errors noted could have been identified if the Office performed reconciliations of its financial transactions. Three advances paid during fiscal year 2018, totaling about \$36,000, were never recorded in the system. Furthermore, the Office applied \$68,000 more to participant accounts than was actually paid. Finally, the Office did not receive nearly \$10,000 from the contracted loan processor for payments made on participant accounts. Because funding is limited, the recovery of amounts due is essential to the program's continued operation. (page 12)

The Office did not calculate interest on advances correctly because amounts were not entered into the loan software timely or accurately. In total, about \$15,000 in interest on 51 accounts was not calculated by the system and automatically applied to participant accounts. (page 13)

The Office does not have adequate documentation on the division of roles and responsibilities between Office staff, OSIT, and the Commission. Additional clarity would enhance programmatic and accounting functions, such as following up with participants on their contractual obligations and protecting financial data accuracy. (page 15)

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This report contains the findings, conclusions, and recommendations from our performance audit of the Office of the Governor, Nevada Office of the Western Interstate Commission for Higher Education. 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 10 recommendations to improve financial and program oversight. 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,

Daniel L. Crossman, CPA
Legislative Auditor

January 15, 2020
Carson City, Nevada

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Introduction

Background

The Nevada Office of the Western Interstate Commission for Higher Education (Office) was established in 1959 as an independent commission within the Nevada state government. The Office also participates as a member of the 16-state Western Regional Education Compact.

The Office identifies critical gaps in the statewide health care workforce. In response, the Office provides financial assistance, reduced tuition, and preferential admission to Nevada students at participating schools. Participants must return to Nevada for 2 to 4 years to meet workforce shortages. Many remain in Nevada and continue providing needed services after they meet contractual requirements. The Office also expands access to health care throughout Nevada and generates additional employment opportunities.

Office Programs

The Office administers two tuition support programs: Professional Student Exchange Program (PSEP) and Health Care Access Program (HCAP). Appendices A and B contain the fact sheets for each of the programs. Both programs offer tuition support in exchange for participants returning to live and practice in Nevada. Participants must also pay a program fee. The program fee may be paid at the beginning of the semester to avoid interest or after graduation in the form of a loan with interest. If participants return to practice in Nevada, the grant portion of their assistance is forgiven. Participants who do not return to Nevada must pay back the grant as a loan.

PSEP requires participants pay a program fee of 25% of their total tuition support. Participants must practice in their field 1 year for each year of financial support they receive. If the participant defaults on fulfilling their practice requirement, they must repay the full amount of financial support.

HCAP requires participants pay a program fee of 10% of the total tuition support. Participants must practice in their field 1 year for each year of financial support they receive, up to 2 years.

Participants must also practice in a medically underserved region or population. Additionally, participants must pay triple the grant if they default on the practice requirement. Exhibit 1 shows the number of new and continuing participants, tuition support, grant, and program fee for each field of study for the 2018–2019 school year.

New and Continuing Participants, Program Support Fee and Tuition Support by Field School Year 2018–2019

Exhibit 1

Professional Student Exchange Program

Field	New	Continuing	Program Fee⁽¹⁾	Grant	Total Support⁽²⁾
Occupational Therapy (2 Year)	2	2	\$ 3,425	\$ 10,275	\$ 13,700
Pharmacy (4 Year)	0	2	1,994	5,981	7,975
Pharmacy (3 Year)	5	10	2,658	7,975	10,633
Physical Therapy (3 Year)	2	4	3,769	11,306	15,075
Physician Assistant (2 Year)	3	3	4,463	13,388	17,851
Veterinary Medicine (4 Year)	3	11	8,100	24,300	32,400
Totals	15	32	\$24,409	\$ 73,225	\$ 97,634

Health Care Access Program

Field	New	Continuing	Program Fee⁽³⁾	Grant	Total Support
Nursing, MSN (2 Year)	4	4	\$ 600	\$ 5,400	\$ 6,000
Nursing, RN (2 Year)	9	8	770	6,930	7,700
Psychology (1 Year)	3	0	3,750	33,750	37,500
Social Work (2 Year)	5	5	500	4,500	5,000
Totals	21	17	5,620	50,580	56,200
Totals Program Fields	36	49	\$30,029	\$123,805	\$153,834

Source: Office records.

Notes:

- ⁽¹⁾ PSEP requires a program fee of 25% of the tuition support. The remaining 75% is a grant as long as the participant fulfills the practice requirement.
- ⁽²⁾ Tuition Support Fee is per participant and includes the total amount for one year of tuition support.
- ⁽³⁾ HCAP requires a program fee of 10% of the tuition support. The remaining 90% is a grant as long as the participant fulfills the practice requirement.

Staffing and Budget

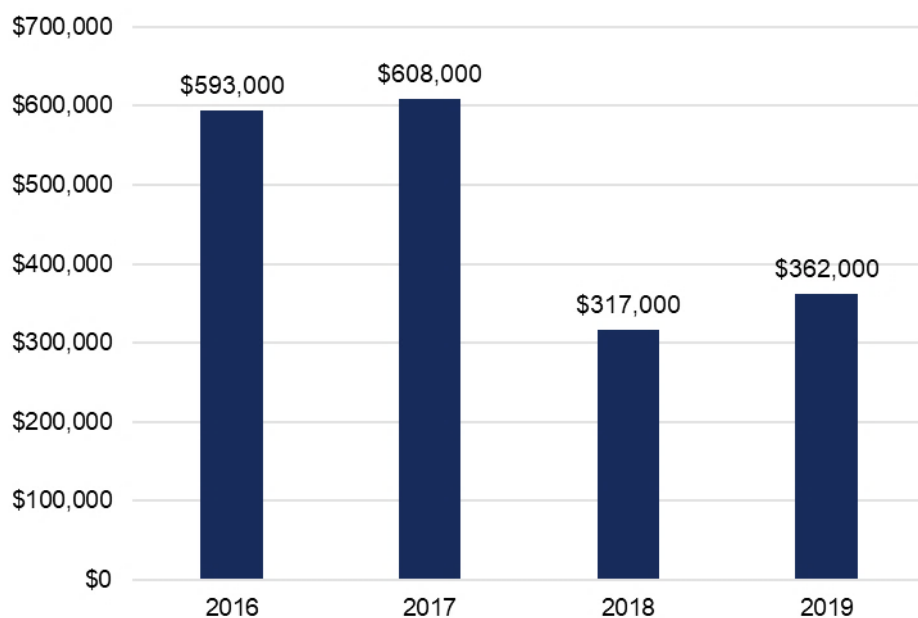
The Office was reorganized to the Office of the Governor on July 1, 2015. It is located in Carson City and has two permanent positions, which are the Director and the Accounting Technician. The Governor also appoints three commissioners who may 1) adopt regulations, and 2) delegate authority to Office employees. The Office has two budget accounts:

- 1) Operating Budget; and
- 2) Loan and Stipend Budget.

The Loan and Stipend Budget Account fluctuated significantly between fiscal years 2016 and 2019. Exhibit 2 demonstrates the changes in revenue for the Office program fees, interest, penalties, and grant repayments between fiscal years 2016 and 2019. Prior to July 1, 2015, the Office was under the Nevada System of Higher Education. As a result, financial data is not comparable prior to fiscal year 2016.

Loan and Stipend Budget Account Revenue Fiscal Years 2016 to 2019

Exhibit 2



Source: State accounting system.

Exhibit 3 shows the Office’s revenues and expenditures for fiscal year 2019 and includes both budget accounts.

**Revenues and Expenditures
Fiscal Year 2019** **Exhibit 3**

Revenues	Amounts
State Appropriations	\$1,215,301
Beginning Cash	11,832
Loan Repayment	166,795
Grant Repayment	147,159
In Lieu Payments	47,802
Penalties	427
Total Revenues	\$1,589,316
Expenditures	Amounts
Administrative	\$ 187,251
Personnel Services	134,777
Travel	863
Cost Allocation	17,796
Loan Advances	203,270
Grant Advances	932,577
Prior Year Refunds	144
Total Expenditures	\$1,476,678
Difference	\$ 112,638
Less: Reversion to General Fund	\$ (112,638)

Source: State accounting system.

Scope and Objectives

The scope of our audit focused primarily on fiscal years 2018 and 2019; although, we also reviewed prior years as necessary. Our audit objectives were to:

- Evaluate if program controls and processes ensured participants met contractual obligations, and
- Determine if controls over loan advances and repayments were adequate.

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.

Stronger Oversight Needed Over Program Requirements

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

Weak Controls Do Not Ensure Participants Fulfill Practice Requirements

The Office does not adequately monitor participants to ensure they meet in-state professional practice requirements. Of the 126 files tested, 52 (41%) did not have current practice questionnaires. Additionally, 29% of paper files did not contain adequate supporting documentation to verify employment. Statute requires participants to provide documentation regarding practice obligations annually. However, the Office does little to ensure participants comply or grants are repaid when obligations are not met.

Participants must send the Office a practice questionnaire annually, along with verification of employment, until participants fulfill practice requirements. Participants failing to meet obligations to practice in Nevada must repay granted funds with interest. Exhibit 4 shows the results of our testing of participant files, including remaining balance on granted funds, and additional penalties for noncompliance with practice requirements.

Participant Compliance With Practice Requirement Documentation**Exhibit 4**

	PSEP Participants	HCAP Participants	Remaining Balance on Granted Funds	Potential HCAP Penalties	Total⁽⁴⁾
Incomplete ⁽¹⁾	11	9	\$ 506,000	\$354,000	\$ 860,000
Behind ⁽²⁾	19	13	1,126,000	318,000	1,444,000
Current ⁽³⁾	6	31	–	–	–
Complete	17	20	–	–	–
Totals	53	73	\$1,632,000	\$672,000	\$2,304,000

Source: Office records.

Notes:

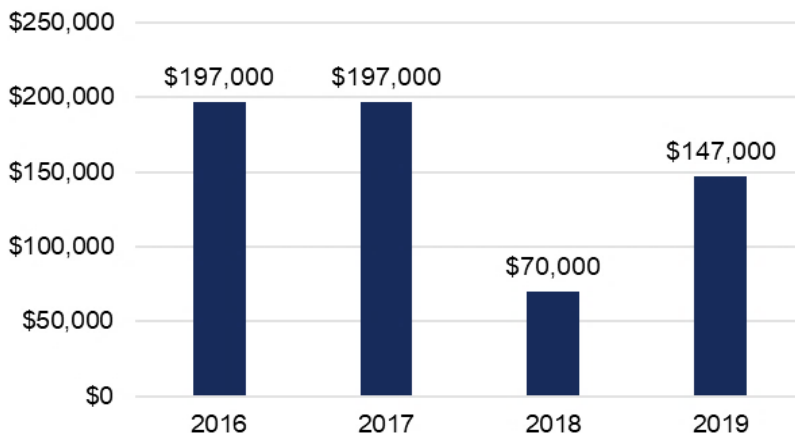
⁽¹⁾ Participants noted as Incomplete have not provided documentation showing requirements were met within 5 years from graduation.

⁽²⁾ Participants noted as Behind have not provided current documentation showing requirements were met. While the time period to complete the requirement has not yet passed, the practice requirement remaining is more than the time left to complete it.

⁽³⁾ Participants noted as Current have sufficient time to meet the remaining practice requirement within 5 years.

⁽⁴⁾ The Total represents the amount potentially owed to the Office if the participants do not fulfill their practice requirements and includes granted funds and HCAP penalties for noncompliance. If the Office monitored practice requirements, many of these participants would likely be in compliance.

Most participant files showed students practicing in Nevada for a portion of their obligation period. It is likely many of these participants completed, or will complete obligations. However, some participants did not return to Nevada and the Office did not consistently identify and recover funds due. As a result, grant repayments declined in fiscal years 2018 and 2019 compared to prior years. Exhibit 5 shows grants funds and interest repaid from 2016 to 2019.

Grant Repayments From Participants Who Did Not Fulfill Practice Obligations Fiscal Years 2016 to 2019**Exhibit 5**

Source: State accounting system.

In the past, staff sent annual reminders to participants, but this practice stopped in 2017 when the Office experienced turnover in personnel. With only two employees, turnover significantly impacts operations. By not actively engaging participants to provide documentation, staff put the responsibility solely on participants to ensure compliance.

Program Monitoring Spreadsheet Is Cumbersome

The Office's program monitoring spreadsheet is outdated, and difficult to use. For example, the spreadsheet does not efficiently track the following:

- required practice years,
- completed or partially completed practice years,
- verification of licensure or employment,
- fulfillment of service obligations to vulnerable or rural populations, and
- performance of follow-up activities.

Staff are in the process of developing program tracking tools and recreating the tracking spreadsheet. In July 2018, the Office also purchased software to track loan and program requirements; however, this software was not utilized as of April 2019. The new software may help Office staff track important program activities.

Verification of Supporting Documentation Needed

The Office does not have procedures to ensure it receives accurate documentation to support in-state practice requirements. Participants must provide an employment letter and a copy of professional licensure. Our review of participant files found 13 files (10%) had no supporting documentation, and an additional 24 files (19%) had only partial supporting documentation.

Verifying the accuracy of information is important because participants not meeting practice requirements are required to repay grant funds. One participant in our review provided false information to avoid repaying more than \$286,000 in grant funds and interest accrued in 2013. According to the practice questionnaire, the participant claimed to have worked in Nevada

Incomplete Records and Inadequate Procedures Hinder Loan Repayment

and completed his practice obligation. However, our review shows the participant was never licensed in Nevada. By verifying employment, the Office can ensure participants meet contractual obligations.

Revenue could increase if the Office ensured computer data was complete and followed up on delinquent loans. Data in the loan processing software was not always complete or accurate. For instance, 70 participants who graduated did not have the graduation date in their participant account. The loan processing software will not require repayment of program fees unless valid graduation dates are entered in accounts. About \$45,200 in program fees remain uncollected because the Office does not have adequate controls over data accuracy.

While many participants repaid program fees timely, 18 of 70 graduated participants had not paid fees due. Of these, 11 should actively be repaying program fees since the 1-year grace period before the first required repayment has passed. Exhibit 6 shows the number of participant accounts and the value of unpaid program fees.

Loan Balance From Participants Without Payments as of January 2019

Exhibit 6

	Loan Balance	Number of Accounts
Repayment	\$ 45,200	11
1-Year Grace Period ⁽¹⁾	67,200	7
Totals	\$112,400	18

Source: Office records.

⁽¹⁾ Participants are not required to make payments on loans for 1 year after graduation.

Good organizational controls require management to evaluate systems for completeness and accuracy. However, the Office does not monitor data and relies on participants to provide necessary information. Without the graduation date, the system defaults to assuming the participant is still in school and continues to delay the repayment process.

Timely Collection Efforts Can Reduce Delinquencies

The Office does not adequately follow up on past due loans. The Office's contracted loan processor sends delinquency notices and assesses fees for late payments; however, they do not actively pursue outstanding debt. The Office could reduce delinquencies by performing timely collection activities with participants when payments become late.

The Office has 17 active past due accounts and recently sent 22 accounts to collections. Exhibit 7 shows the number and amount of past due accounts.

Past Due Loans as of February 2019

Exhibit 7

Days Past Due	Amount	Number of Accounts
120+ Days	\$92,700	14
60+ Days	2,000	3
Totals	\$94,700	17

Source: Office records.

The Office can perform collection activities earlier, which may prevent accounts from becoming severely delinquent. Staff indicated a preference for working with participants to resolve issues before referring past due accounts to collections. Office procedures require reminder letters or phone calls when accounts become 60, 90, and 120 days delinquent, but these procedures have not been followed since 2017. Risk of nonpayment increases as accounts age. Therefore, timely collection activities can improve repayment rates and increase revenues.

Recommendations

1. Enhance policies and procedures to ensure participants report on practice requirements. Procedures should address documenting and verifying practice requirements, employment and licensure, and sending reminder notifications.
2. Develop an efficient program tracking tool.
3. Develop a course of action against current and future participants who provide false information on practice questionnaires. Include steps for escalating to the Office of the Attorney General when appropriate.
4. Develop policies and procedures to ensure that data is accurate and systems are working as intended.
5. Update and follow policies and procedures for debt collection actions, including time frames for collection on past due loans.

Controls Are Inadequate to Ensure Accurate Records

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

Financial Reconciliations Necessary

The loan processing system contained significant errors. Many of the errors noted could have been identified if the Office performed reconciliations of its financial transactions. Weak controls and oversight leave the Office vulnerable to fraud since the agency has few staff to oversee and monitor operations.

Advances Not Recorded

Three advances paid during fiscal year 2018, totaling about \$36,000, were never recorded in the Office's loan processing system. The Office issued 187 advances to 59 participant accounts in fiscal year 2018. An advance is an amount paid as a grant or loan to a university on the participant's behalf. Furthermore, the Office applied \$68,000 more to participant accounts than was actually paid. Participants are unlikely to repay loans that are not recorded. Additionally, these errors will affect repayments and interest calculations.

In total, we found 12 (6%) recording errors related to advances in the loan processing system. Billings will not generate for missing amounts and interest accrues immediately on advances recorded in excess. Errors occurred and went undetected because the

Office does not have an adequate process to compare and reconcile amounts paid through the state accounting system and information recorded in the loan processing system. Staff are in the process of correcting the errors.

Payments Not Received or Recorded

The Office did not receive nearly \$10,000 from the contracted loan processor for payments made on participant accounts. Thirty-three participants made payments to the contracted loan processor in July 2017. The contractor recorded payments in participant accounts, but did not remit these payments to the State. We also identified two participant accounts that were not credited for payments made directly to the Office in the amount of \$2,700.

The Office did not reconcile financial records between the state accounting system and the loan processing system. Strong financial controls are necessary because the Office has few staff, which limits the ability to segregate duties. This leaves the Office vulnerable to fraud. Without reconciling financial records between the loan processor and the state accounting system, staff could divert payments while recording amounts in participant accounts.

The Office is partially funded by fees and the repayment of granted funds. Because funding is limited, the recovery of amounts due, when required, is essential to the program's continued operation.

Timeliness and Record Accuracy Affect Interest Calculations

The Office did not automatically calculate interest on advances correctly because amounts were not entered into the loan processing system timely or accurately. The system did not calculate and apply approximately \$15,000 in interest on 51 accounts.

Advances must be entered into the loan processing system timely in order for interest to calculate correctly. For 50 of the 93 (54%) loan advances in fiscal year 2018, staff entered advances into the system an average of 113 days late. The system will not calculate interest for past periods. As a result, interest calculations are not always correct.

Additionally, the interest begin date field was incorrect or blank for 20 of 144 (14%) participant accounts. For instance, one account showed the date that interest should start accruing as October 15, 2018. However, the files indicated the proper date was September 1, 2016, over 2 years prior. Because the begin date was wrong, the system did not automatically assess about \$1,900 in interest to this participant.

In order to ensure participants pay the full amount due, staff manually review interest calculations on all loan payoffs. These reviews are time consuming. Awareness of system constraints and better monitoring of the timeliness of data entry will ease the necessity to review each account and manually calculate interest. This will free staff resources to perform other vital program functions.

Recommendations

6. Perform reconciliations between the state accounting system, loan processing system, program database, and participant files.
7. Obtain any missing payments from the loan processor.
8. Monitor the timeliness and accuracy of data entered into information systems.

Roles and Responsibilities Need Clarification

Oversight Responsibilities Not Defined

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

In 2015, the Office moved from the Nevada System of Higher Education to the Office of the Governor. Although the Office and OSIT are two separate entities within the Office of the Governor, the Director of OSIT oversees the Office. Additionally, statute gives some programmatic authority directly to the Commission.

The move created confusion over the structure of the Office, and who was responsible for certain program and administrative functions. For instance, uncertainty existed in the past over who was responsible for evaluation of the Office Director. Additionally, the Commission discussed a need for clarity regarding the organizational structure and the performance of certain administrative processes in a May 2018 meeting. Without clear documentation, oversight of Office programs faltered.

Internal control standards require oversight bodies to hold management accountable for internal controls and ensuring program integrity. However, without clear guidance regarding responsibilities, staff cannot reasonably understand what is expected of them. By clarifying reporting roles, the Office can improve operations.

Policies and Procedures Underutilized

Existing policies and procedures are outdated and lack the necessary clarity to provide adequate direction. Furthermore, staff did not always follow established procedures. A lack of written or clearly defined policies and procedures contributed to many of the problems noted in this report.

Some procedures are not adequate. For example, written procedures do not address documenting and monitoring participant compliance with program requirements. The Office began making changes to procedures, but updates were not always sufficient. Our review of new policies and procedures found necessary reconciliations were not always required.

More importantly, staff do not follow documented policies and procedures. For example, staff did not reconcile financial data between January 2017 and July 2018, despite having procedures to direct the process. Additionally, the Office has policies and procedures for requesting practice questionnaires, verifying employment, and escalating delinquent accounts; but these tasks were not always performed.

Significant improvements to operations can be realized by developing and implementing policies and procedures over key processes. Policies and procedures help retain institutional knowledge, ensure consistency, and provide clear expectations for staff and management. This is especially important due to the limited staff and significant turnover at the Office.

Recommendations

9. Develop policies and procedures regarding the roles, responsibilities, and structure between Office staff, OSIT, and the Commission.
10. Review all policies and procedures and update as necessary. Develop controls to ensure procedures are followed.

Appendix A

Professional Student Exchange Program Fact Sheet

State of Nevada's Western Interstate Commission for Higher Education (WICHE)

Professional Student Exchange Program (PSEP)

Nevada WICHE has been providing Nevada residents with educational access and tuition assistance since 1959, helping to address the workforce, health care and economic needs of the state. PSEP is a "loan forgiveness" program that funds the following fields and approximate amounts:

ANNUAL SUPPORT AMOUNTS (Amounts are <i>approximate</i> and subject to change.)			
Field of Study	AY19-20	AY20-21	Funding Duration
Occupational Therapy	\$14,000	\$14,300	2 Years
Pharmacy	\$10,867	\$11,107	3-Year Schools
Physical Therapy*	\$15,400	\$15,750	3 Years
Physician Assistant*	\$18,250	\$18,650	2 Years
Veterinary Medicine	\$32,400	\$32,400	4 Years

PROGRAM REQUIREMENTS:

- A. You must be a **Nevada resident** for at least one (1) year prior to applying.
- B. The above amounts are ***PAID DIRECTLY TO THE SCHOOL*** on your behalf and enable you to attend WICHE-participating schools at reduced tuition rates. You will still be responsible for the balance of tuition and fees as determined by your school.
- C. **You must return to/remain and reside in Nevada, and practice in the profession** for which you received assistance for the number of years you received financial assistance upon graduation. Otherwise, you must pay the total support amount back in the same manner as required for the repayment of loans plus any penalties.
- D. *Nevada WICHE will support students attending **private in-state programs**. Nevada does not support students attending public in-state programs.
- E. **You must repay up to 25%** of the total support amount as a loan within 5-10 years after you graduate. Monthly payments commence one year after graduation or termination of studies. Repayment time frames vary based on the total amount owing upon graduation or termination of studies.
- F. You will be asked to **obtain a guarantee/co-signor signature** for the promissory notes. A parent, guardian, or other responsible party other than a spouse can be a guarantee/co-signor.
- G. The program is competitive and selection **based upon rankings** by the educational institutions.
- H. **Application Deadline:** Currently October 15th of the *year prior* to school entry. Late applications will be accepted and placed under "alternate" status.

If you are interested in further information or would like an application, contact the Nevada WICHE office at:

Website: <http://www.nevadawiche.org>
 100 N. Stewart Street, Suite #220
 Carson City, NV 89701
 Phone: (775) 687-0991

Source: Office records.

Appendix B

Health Care Access Program Fact Sheet

State of Nevada's Western Interstate Commission for Higher Education (WICHE)

Health Care Access Program (HCAP)

The State of Nevada is concerned over the growing number of medically underserved populations. "Medically underserved" are those individuals or areas in the state that struggle or are unable to receive adequate health care services. Therefore, to assist in meeting the state's health care needs, Nevada WICHE has financial support in the following fields:

ANNUAL SUPPORT AMOUNTS (Amounts are approximate and subject to change)			
Field of Study	AY19-20	AY20-21	Maximum Funding Duration
Pharmacy*	\$8,150	\$8,330	4 Years
	\$ 10,867	\$11,107	3 Years
Physical Therapy*	\$ 15,400	\$15,750	3 Years
Physician Assistant*	\$ 18,250	\$18,650	2 Years

PROGRAMS REQUIREMENTS:

- A. You must be a **Nevada resident** for at least one (1) year prior to applying.
- B. The above amounts are *paid directly to the institution* on your behalf and enable you to acquire your education at a reduced rate. You will still be responsible for the balance of any tuition and/or fees as determined by your institution.
- C. *Pharmacy, Physical Therapy, and Physician Assistant: Nevada WICHE does not support students attending public in-state programs. Nevada WICHE will support students attending **private in-state programs**.
- D. You must reside in Nevada and practice in your professional field in a medically underserved region or with a medically underserved population for up to two years upon completion of your education. Defaulting on the program's requirements may result in a penalty of triple principle plus interest of funds.
- E. You must repay 10% of the total financial support amount within 5-10 years after you graduate. Monthly loan payments commence one year after graduation or termination of studies. Repayment time frames depend upon the total amount owing upon graduation/termination of studies.
- F. You will be asked to **obtain a guarantee/co-signor signature** for the promissory notes. A parent, guardian, or other responsible party other than a spouse can be a guarantee/co-signor.
- G. The funds are competitive based upon acceptance by an educational program, availability of state funds, and/or an interview with WICHE.
- H. Application Deadlines: Currently October 15th of the year prior to school entry. **Late applications will be accepted and placed under "alternate" status.**

If you are interested in further information or would like an application, contact the Nevada WICHE office at:

Website: <http://www.nevadawiche.org>
 100 N. Stewart Street, Suite #220
 Carson City, NV 89701
 Email: lfrias@gov.nv.gov
 Phone: (775) 687-0991

Source: Office records.

Appendix C

Audit Methodology

To gain an understanding of the Nevada Office of the Western Interstate Commission for Higher Education (Office), we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to its 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 the adequacy of the Office's internal controls to determine if: 1) participants meet contractual obligations, and 2) controls over loan advances and repayments are adequate.

To determine if the Office ensured participants met practice requirements, we identified 231 active participants. Based on our review of physical files, we identified 126 participants who should be reporting on practice requirements. We documented the existence of practice questionnaires, professional licenses, employment verification, and practice questionnaire reminder letters in participant files. We also documented the progress participants made toward completing practice requirements. Next, we calculated the dollar value of grants due from students who have not sent documentation of fulfilling practice requirements. We reviewed policies and procedures, and discussed the Office's practice verification process with staff.

To evaluate if participants repaid amounts timely, we identified 155 participants who were either missing or had abnormal graduation dates. We reviewed participant files to determine the correct graduation date. Next, we tested the 70 accounts that had incorrect graduation dates in the loan processing system to determine if participants are fulfilling their financial and practice obligations. We reviewed and quantified amounts still due. We reviewed applicable policies and procedures, and discussed processes with staff, and vendors.

We also reviewed debt collection procedures. We identified 36 accounts with 45 past due loans. We then calculated the delinquent amount, and determined the number of days each account was past due. We reviewed documentation regarding collection efforts. We reconciled debt sent to collections to participants with debt more than 120 days old. Finally, we reviewed policies and procedures and discussed debt collection efforts with staff.

To evaluate if controls over data accuracy are adequate, we randomly selected 25 physical files, and 25 electronic files. We compared the records to assess the accuracy and completeness of electronic and physical files. Due to data deficiencies, we expanded our testing for practice questionnaires and graduation dates to include all applicable accounts.

Next, we identified 187 loan advances made in fiscal year 2018. We reviewed the contracts and documents for the advances. We compared information in the loan processing system, state accounting system, and contracts for accuracy. We also performed the same reconciliation for payments. We discussed findings with staff.

Finally, we reviewed the timeliness and accuracy of data entry. We compared the date the Office entered the advance in the loan system to the date listed in the participant contract, and the computer's interest start date on 144 loans. For advances with a time gap between the entry date and the contract date, we calculated the interest due. We discussed findings with Office staff, and representatives from the contractor.

For our testing, we reviewed the entire population due to concerns over data accuracy. Based on our professional judgement, we believe that our tests provide sufficient and appropriate audit evidence to support the conclusions in our report.

Our audit work was conducted from November 2018 to July 2019. 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 Director of the Nevada Office of the Western Interstate Commission for Higher Education. On December 17, 2019, we met with Office officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix D, which begins on page 22.

Contributors to this report included:

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Appendix D

Response From the Nevada Office of the Western Interstate Commission for Higher Education



Nevada Governor's Office of the
Western Regional Education Compact
Western Interstate Commission for Higher Education (WICHE)

100 North Stewart Street, Suite 220
Carson City, Nevada 89701
Phone 775-687-0991
Fax 775-687-0990

Commissioners
Frederick B. Lokken
Dr. Gillian Barclay
Dr. Thom Reilly

Jennifer Ouellette
Director
Certifying Officer

January 3, 2020

Daniel Crossman, CPA, Legislative Auditor
Legislative Counsel Bureau Audit Division
401 S. Carson Street
Carson City, NV 89701

Re: Performance Audit - Nevada Governor's Office of the Western Interstate Commission for Higher Education

Dear Mr. Crossman,

Thank you for the information provided in your Performance Audit report dated December 2019 for the Nevada Office of the Western Interstate Commission for Higher Education (Office). Our office appreciates the work of the Legislative Counsel Bureau (LCB) in conducting this review. We accept all recommendations as indicated in the attached "Nevada Office of the Western Interstate Commission for Higher Education's Response to Audit Recommendations".

Recommendation 1: Enhance policies and procedures to ensure participants report on practice requirements. Procedures should address documenting and verifying practice requirements, employment and licensure, and sending reminder notifications.

Response: The Office accepts this recommendation. The Office has begun the development of an internal tracking spreadsheet that serves as a comprehensive one-stop source of information for every open account, and each individual student. The Office initially created the tool to conduct its own internal audit of every open student account to ensure accuracy throughout the program and correct deficiencies identified in the LCB Audit. As will be discussed in Recommendation 2, this tool has evolved into a program tracking tool that allows staff to easily identify the status of any student account, including the status of practice requirements.

At present, we are in the process of obtaining current practice information from every one of our current students. Once this process is complete and all practice requirements have been documented and are current, staff will utilize the tool to automatically send reminder notifications to all active students on a biannual basis to complete our practice verification form. The tool will also allow staff to easily scan and identify students that require additional follow up.

Recommendation 2: Develop an efficient program tracking tool.

Response: The Office accepts this recommendation. As discussed in the response to Recommendation 1, the Office is in the process of conducting an internal audit on each open student account. As a result of this internal audit and the spreadsheet that was created to assist with this initial purpose, the Office has created a template that serves as a comprehensive one-stop source of information for every open account, and each individual student. When complete, this tool will serve as the program's primary tracking tool going forward for all open accounts.

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As of December 31, 2019, the Office identified 272 unique students with open accounts. Staff estimates that when our internal review of each individual open account is complete, the number of open and active accounts at any one time will not number more than 225 unique students. Due to the small number of active accounts, staff believes all program information can continue to be maintained effectively within the Excel workbook built for this purpose.

Recommendation 3: Develop a course of action against current and future participants who provide false information on practice questionnaires. Include steps for escalating to the Office of Attorney General when appropriate.

Response: The Office accepts this recommendation. The Office has current policies in place for this type of scenario, however, due to staff turnover and personnel issues in an agency with only two employees, these policies were not adhered to during the time period covered by the LCB Audit. Out of approximately 225 unique student accounts, the Office is aware of 2 students who are providing false information regarding their residency status. One student has already been referred to the Office of Attorney General (AG), and the other student will be referred to the AG immediately.

As a result of the program tracking tool that has been created and the office's plan to automate regular reminders for the submission of practice questionnaire forms, students who falsify information will be identified in a timely manner and immediately referred to the AG going forward.

Recommendation 4: Develop policies and procedures to ensure that data is accurate and systems are working as intended.

Response: The Office accepts this recommendation. The Office is in the process of conducting an internal audit on each open student account to identify and correct any existing data entry errors. The Office will also review and update existing policies and procedures or create new policies where necessary to ensure that data is accurate and systems are working as intended going forward. Training to staff on the updated policies and procedures will be provided and a new control will be implemented to ensure accuracy moving forward.

Recommendation 5: Update and follow policies and procedures for debt collection actions, including time frames for collection on past due loans.

Response: The Office accepts this recommendation. The Office has current policies in place for debt collection actions, however, due to staff turnover and personnel issues in an agency with only two employees, these policies were not adhered to during the time period covered by the LCB Audit. The Office has created a preliminary list of accounts that will be sent to the Controller's office for debt collection within the next 60 days. The Office will also review and update existing debt collection policies and procedures. Training to staff on the updated policies and procedures will be provided and controls will be developed or enhanced to ensure timely collection moving forward.

Recommendation 6: Perform reconciliations between the state accounting system, loan processing system, program database, and participant files.

Response: The Office accepts this recommendation. The Office has current policies in place for system reconciliations, however, due to staff turnover and personnel issues in an agency with only two employees, these policies were not adhered to during the time period covered by the LCB Audit. A larger issue for the

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program is that continued staff turnover and personnel issues have the unintended consequence of crippling a program with only two employees. The Office is working with the Nevada WICHE Commission and the Nevada Governor's Office to identify potential long-term solutions to mitigate this problem. Training has been provided to existing staff on how to properly perform reconciliations. The Office will also review and update existing system reconciliation policies and procedures. Controls will be developed and implemented to ensure reconciliations are performed on schedule.

Recommendation 7: Obtain any missing payments from the loan processor.

Response: The Office accepts this recommendation. The Office is working with our student loan system processor to recover the missing payments identified by LCB during the audit.

Recommendation 8: Monitor the timeliness and accuracy of data entered into information systems.

Response: The Office accepts this recommendation. As mentioned previously, the Office is in the process of conducting an internal audit on each open student account to identify and correct any existing data entry errors. The Office will also review and update existing policies and procedures to ensure timeliness and accuracy of data entries going forward. The Office will also develop and enhance existing controls to ensure policies and procedures are followed.

Recommendation 9: Develop policies and procedures regarding the roles, responsibilities and structure between WICHE staff, OSIT and the Commission.

Response: The Office accepts this recommendation. The Office will further clarify policies and procedures regarding the roles, responsibilities and structure between WICHE staff, OSIT and the Commission. These policies and procedures will be included as part of the onboarding process for all new Commissioners and employees going forward to minimize confusion.

Recommendation 10: Review all policies and procedures and update as necessary. Develop controls to ensure procedures are followed.

Response: The Office accepts this recommendation. The Office will review and update all policies and procedures and develop controls to ensure procedures are followed going forward. The Office is also working with the Nevada WICHE Commission and the Nevada Governor's Office to identify potential long-term solutions to problems that are unique to a two-person agency so this type of scenario does not occur again in the future.

Thank you for the opportunity to review, identify and address areas in which the Office can improve our program.

Sincerely,



Jennifer Ouellette

Director, Nevada WICHE

Cc: Frederick Lokken, Executive Commissioner, Nevada WICHE
Brian Mitchell, Director, OSIT

Nevada Office of the Western Interstate Commission for Higher Education's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Enhance policies and procedures to ensure participants report on practice requirements. Procedures should address documenting and verifying practice requirements, employment and licensure, and sending reminder notifications	<u>X</u>	<u> </u>
2. Develop an efficient program tracking tool.....	<u>X</u>	<u> </u>
3. Develop a course of action against current and future participants who provide false information on practice questionnaires. Include steps for escalating to the Office of the Attorney General when appropriate	<u>X</u>	<u> </u>
4. Develop policies and procedures to ensure that data is accurate and systems are working as intended	<u>X</u>	<u> </u>
5. Update and follow policies and procedures for debt collection actions, including time frames for collection on past due loans	<u>X</u>	<u> </u>
6. Perform reconciliations between the state accounting system, loan processing system, program database, and participant files	<u>X</u>	<u> </u>
7. Obtain any missing payments from the loan processor.....	<u>X</u>	<u> </u>
8. Monitor the timeliness and accuracy of data entered into information systems	<u>X</u>	<u> </u>
9. Develop policies and procedures regarding the roles, responsibilities, and structure between Office staff, OSIT, and the Commission.....	<u>X</u>	<u> </u>
10. Review all policies and procedures and update as necessary. Develop controls to ensure procedures are followed.....	<u>X</u>	<u> </u>
TOTALS	<u>10</u>	<u> </u>