

STATE OF NEVADA

**Single Audit Report
For the Year Ended
June 30, 2011**

STATE OF NEVADA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	Page	
Independent Auditor's Report	1	
Management's Discussion and Analysis	3	
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	14	
Statement of Activities	16	
Fund Financial Statements		
Balance Sheet - Governmental Funds	18	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21	
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23	
Statement of Net Assets - Proprietary Funds	24	
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26	
Statement of Cash Flows - Proprietary Funds	27	
Statement of Fiduciary Net Assets - Fiduciary Funds	29	
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	30	
Notes to Financial Statements	31	
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds	68	
Notes to Required Supplementary Information - Budgetary Reporting	70	
Schedule of Funding Progress – Pension Plans	71	
Schedule of Infrastructure Condition and Maintenance Data	72	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		73
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		75
Schedule of Expenditures of Federal Awards	77	
Notes to the Schedule of Expenditures of Federal Awards	117	
Schedule of Findings and Questioned Costs	119	
Summary Schedule of Prior Audit Findings	289	



Independent Auditor's Report

The Honorable Kim Wallin, CMA, CFM, CPA
State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2011, which collectively comprise the State of Nevada's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit:

Government-Wide Financial Statements

- the financial statements of the Housing Division, which represent 57.44 percent of the assets and 5.27 percent of the revenues of the business-type activities;
- the financial statements of the Nevada System of Higher Education and the Colorado River Commission, both of which are discretely presented component units.

Fund Financial Statements

- the financial statements of the Housing Division Enterprise Fund;
- the financial statements of the Self Insurance and Insurance Premiums Internal Service Funds, which represent less than one percent of the assets and the net assets, and 3.55 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, which in the aggregate represent 72.56 percent of the assets, 71.93 percent of the net assets and 51.75 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Nevada College Savings Plan – Private Purpose Trust Fund, which represents 20.16 percent of the assets, 23.21 percent of the net assets and 31.21 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Retirement Benefits Investment Fund, which represent less than one percent of the assets, net assets and revenues of the aggregate remaining fund information;
- the financial statements of the Division of Museums and History Dedicated Trust Fund, which represent less than one percent of the assets, fund balance and revenues of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Division of the Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund

and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012 on our consideration of the State of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the budgetary comparison information, the notes to required supplementary information-budgetary reporting, the schedule of funding progress, and the schedule of infrastructure condition and maintenance data, collectively presented on pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nevada's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. As discussed in Note 1 to the Schedule of Expenditures of Federal Awards on page 117, the Federal award programs of the Nevada System of Higher Education are not included in the accompanying Schedule of Expenditures of Federal Awards. Federal award programs of the Nevada System of Higher Education will be reported on separately.



Reno, Nevada
January 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Nevada management provides this discussion and analysis of the State of Nevada's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Nevada is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the additional information furnished in the letter of transmittal.

HIGHLIGHTS

Government-wide:

Net Assets – The assets of the State exceeded liabilities at the close of the fiscal year ended June 30, 2011 by \$4.3 billion (reported as *net assets*). Of the \$4.3 billion in net assets, \$1.3 billion was restricted and not available to meet the State's general obligations. Also unavailable to meet the State's general obligations is the \$3.9 billion invested in capital assets, net of related debt.

Changes in Net Assets – The State's total net assets increased by \$50.2 million in fiscal year 2011. Net assets of governmental activities increased by \$266.5 million (a 6.5% increase) and net assets of the business-type activities decreased by \$216.3 million (a 131.7% decrease).

Fund-level:

Beginning in fiscal year 2011 the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides new fund balance classifications for governmental funds and clarifies the existing governmental fund type definitions. The previous reserved and unreserved classifications have been replaced with nonspendable, restricted, committed, assigned and unassigned balances. Also, certain special revenue funds, such as the Legislative fund and Stabilization fund, no longer meet the definition of a special revenue fund and are now reported as activity in the General Fund. Additional information on the State's fund balances can be found in Note 1 to the financial statements.

At the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.5 billion, a decrease of \$119.5 million from the prior year. Of the ending fund balance, \$625.6 million is not in spendable form, primarily municipal securities and permanent fund principal, and \$830.9 million is available for spending. The \$830.9 million that is spendable consists of: \$487.7 million restricted to expenditure for specific purposes such as transportation and capital projects; \$459.4 million committed to expenditure for specific purposes such as servicing bonds payable, recreation and resource development, contingencies and fiscal emergencies; and a negative \$116.2 million unassigned, primarily in the General Fund. The reasons for the negative unassigned fund balance are disclosed in the Financial Analysis of the State's Funds section below.

The State's enterprise funds reported combined ending net assets of a negative \$52.0 million, a decrease of \$216.1 million from the prior year, attributable primarily to a decrease of \$265.3 million in net assets of the Unemployment Compensation fund. Of the combined ending net assets, \$558.2 million represents a deficit in *unrestricted net assets* of which \$567.2 million is from the Unemployment Compensation fund.

The State's fiduciary funds reported combined ending net assets of \$34.6 billion, an increase of \$6.8 billion from the prior year. This increase is due primarily to the change in the fair value of investments in the Pension Trust Funds and Private Purpose Trust Funds.

Long-term Debt (Government-wide):

The net decrease in the State's long-term debt obligations was \$239.7 million or 6.0% during the current fiscal year from \$4.0 billion in fiscal year 2010 to \$3.8 billion in fiscal year 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements:

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

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

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

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

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

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

Discretely Presented Component Units – Component units are legally separate organizations for which the elected officials of the government are financially accountable or have significant influence in governing board appointments. The State has two discretely presented component units – the Nevada System of Higher Education and the Colorado River Commission. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Fund Financial Statements:

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

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

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

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

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

Notes to the Financial Statements:

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

Required Supplementary Information:

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

Other Supplementary Information:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the fiscal years ended June 30, 2011 and 2010 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

	Governmental Activities		Business-type Activities		Total		Total Change
	2011	2010	2011	2010	2011	2010	2011-2010
Assets							
Current and other assets	\$ 3,301,053	\$ 3,299,428	\$ 1,976,771	\$ 1,904,758	\$ 5,277,824	\$ 5,204,186	\$ 73,638
Net capital assets	5,497,486	5,330,157	10,765	10,986	5,508,251	5,341,143	167,108
Total assets	8,798,539	8,629,585	1,987,536	1,915,744	10,786,075	10,545,329	240,746
Liabilities							
Current liabilities	1,494,432	1,399,495	90,717	78,624	1,585,149	1,478,119	107,030
Long-term liabilities	2,956,072	3,148,576	1,948,874	1,672,864	4,904,946	4,821,440	83,506
Total liabilities	4,450,504	4,548,071	2,039,591	1,751,488	6,490,095	6,299,559	190,536
Net Assets							
Invested in capital assets, net							
of related debt	3,875,141	3,622,787	3,120	3,615	3,878,261	3,626,402	251,859
Restricted	749,818	683,526	503,090	464,346	1,252,908	1,147,872	105,036
Unrestricted (deficit)	(276,924)	(224,799)	(558,265)	(303,705)	(835,189)	(528,504)	(306,685)
Total net assets	\$ 4,348,035	\$ 4,081,514	\$ (52,055)	\$ 164,256	\$ 4,295,980	\$ 4,245,770	\$ 50,210

Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) increased to \$4.3 billion at the end of 2011, compared with \$4.2 billion at the end of the previous year.

The largest portion of the State's net assets (\$3.9 billion or 90.3%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, construction in progress, infrastructure and rights-of-way, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets (\$1.3 billion or 29.1%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported an unrestricted net assets deficit of \$835.2 million or (19.4%), as compared to a \$528.5 million deficit in the prior year. Nevertheless, at the end of the current fiscal year, the State is able to report positive balances in two of the three categories of net assets, both for the government as a whole, as well as for governmental activities and business-type activities.

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

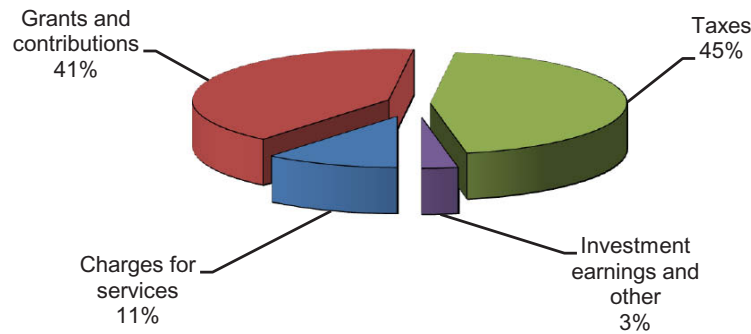
	Governmental Activities		Business-type Activities		Total		Total Change
	2011	2010	2011	2010	2011	2010	2011-2010
Revenues							
Program revenues							
Charges for services	\$ 870,281	\$ 797,028	\$ 97,356	\$ 87,356	\$ 967,637	\$ 884,384	\$ 83,253
Operating grants and contributions	3,050,092	3,141,986	1,251,949	1,335,177	4,302,041	4,477,163	(175,122)
Capital grants and contributions	164,711	56,719	-	-	164,711	56,719	107,992
General revenues							
Sales and use taxes	931,911	870,474	-	-	931,911	870,474	61,437
Gaming taxes	850,021	844,470	-	-	850,021	844,470	5,551
Modified business taxes	378,971	381,300	-	-	378,971	381,300	(2,329)
Insurance premium taxes	233,334	233,280	-	-	233,334	233,280	54
Property and transfer taxes	231,758	266,878	-	-	231,758	266,878	(35,120)
Motor and special fuel taxes	267,649	268,554	-	-	267,649	268,554	(905)
Other taxes	662,120	620,834	403,509	314,657	1,065,629	935,491	130,138
Investment earnings	(4,182)	(1,246)	-	-	(4,182)	(1,246)	(2,936)
Other	240,909	169,024	-	-	240,909	169,024	71,885
Total Revenues	7,877,575	7,649,301	1,752,814	1,737,190	9,630,389	9,386,491	243,898
Expenses							
General government	334,616	375,219	-	-	334,616	375,219	(40,603)
Health and social services	3,209,237	3,017,013	-	-	3,209,237	3,017,013	192,224
Education and support services	2,393,536	2,430,923	-	-	2,393,536	2,430,923	(37,387)
Law, justice and public safety	667,598	690,104	-	-	667,598	690,104	(22,506)
Regulation of business	122,679	100,380	-	-	122,679	100,380	22,299
Transportation	630,657	644,976	-	-	630,657	644,976	(14,319)
Recreation and resource development	153,404	161,048	-	-	153,404	161,048	(7,644)
Interest on long-term debt	128,606	132,238	-	-	128,606	132,238	(3,632)
Unallocated depreciation	1,402	1,448	-	-	1,402	1,448	(46)
Unemployment insurance	-	-	1,767,632	2,233,382	1,767,632	2,233,382	(465,750)
Housing	-	-	83,467	57,342	83,467	57,342	26,125
Water loans	-	-	16,476	14,697	16,476	14,697	1,779
Workers' compensation and safety	-	-	29,642	26,084	29,642	26,084	3,558
Higher education	-	-	18,959	14,051	18,959	14,051	4,908
Other	-	-	28,905	23,175	28,905	23,175	5,730
Total Expenses	7,641,735	7,553,349	1,945,081	2,368,731	9,586,816	9,922,080	(335,264)
Excess (deficiency) in net assets before contributions to permanent funds and transfers	235,840	95,952	(192,267)	(631,541)	43,573	(535,589)	579,162
Contributions to permanent fund	6,637	8,165	-	-	6,637	8,165	(1,528)
Transfers	24,044	19,361	(24,044)	(19,361)	-	-	-
Change in net assets	266,521	123,478	(216,311)	(650,902)	50,210	(527,424)	577,634
Net assets - beginning of year	4,081,514	3,958,036	164,256	817,168	4,245,770	4,775,204	(529,434)
Change in reporting entity	-	-	-	(2,010)	-	(2,010)	2,010
Net assets - beginning of year (restated)	4,081,514	3,958,036	164,256	815,158	4,245,770	4,773,194	(527,424)
Net assets - end of year	\$ 4,348,035	\$ 4,081,514	\$ (52,055)	\$ 164,256	\$ 4,295,980	\$ 4,245,770	\$ 50,210

Changes in Net Assets:

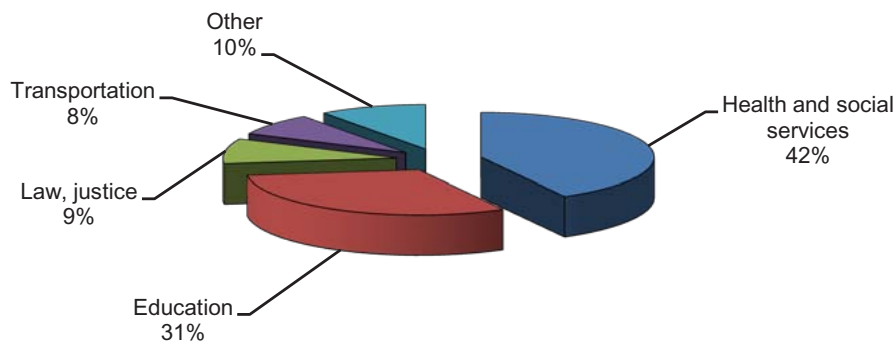
Total government-wide revenues increased over the prior year, due primarily to higher revenues from sales taxes, gaming taxes, mining taxes and fees, unclaimed property receipts, transient lodging taxes (room taxes), and intergovernmental revenue for highway projects. The State's federal funds through the American Recovery and Reinvestment Act (ARRA) decreased to \$1.2 billion in 2011, down from \$1.6 billion in 2010, leaving \$260 million for fiscal years 2012 through 2014. Unemployment and training benefited most from the ARRA moneys in 2011 (\$600 million), followed by medical and family assistance (\$180 million), education (\$112 million) and transportation (\$109 million). The absence of these funds will tax the ability of Nevada to maintain program and infrastructure services. The unrestricted net assets deficit increased: 1) in governmental activities, through health and social services expenditures; and 2) in business-type activities, through unemployment compensation expenditures.

Governmental activities – The net assets increased by \$266.5 million or 6.5%. Approximately 45.1% of the total revenue came from taxes, while 40.8% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 11.1% of the total revenues (see chart below). The State's governmental activities expenses cover a range of services and the largest expenses were for health and social services (42.0%) and education (31.3%) (see chart below). In 2011, governmental activities expenses exceeded program revenues, resulting in the use of \$3.6 billion in general revenues, which were generated to support the government.

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



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

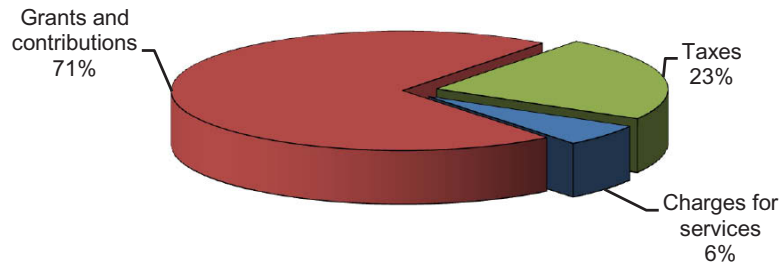


The following table depicts the total program revenues and expenses for each function of governmental activities:

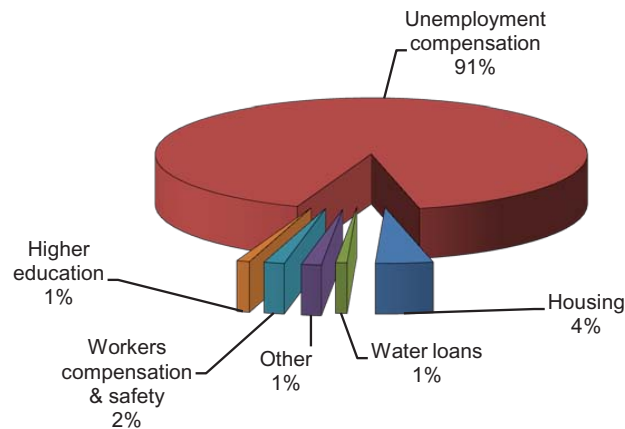
	Expenses	Revenue
General Government	\$ 334,616	\$ 356,560
Health and Social Services	3,209,237	2,206,093
Education	2,393,536	453,920
Law, Justice	667,598	285,200
Regulation	122,679	100,813
Transportation	630,657	599,189
Recreation	153,404	81,983
Total	\$ 7,511,727	\$ 4,083,758

Business-type activities – The net assets decreased by \$216.3 million or 131.7%. Approximately 23.0% of the total revenue came from taxes, while 71.4% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 5.6% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were for unemployment compensation (90.9%) and housing (4.3%) (see chart below). In 2011, business-type activities expenses exceeded program revenues by \$595.8 million. Of this amount, unemployment compensation was the largest, with net expenses of \$657.4 million, resulting in the use of \$403.5 million in general revenues generated by and restricted to the Unemployment Compensation Fund.

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



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



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

Revenues and Expenses by Function: Business-type Activities		
<i>(expressed in thousands)</i>		
	Expenses	Revenue
Unemployment Compensation	\$ 1,767,632	\$ 1,110,225
Housing	83,467	92,378
Water Loans	16,476	47,005
Workers Compensation	29,642	37,984
Higher Education	18,959	30,839
Other	28,905	30,874
Total	\$ 1,945,081	\$ 1,349,305

The State government's overall financial position improved over the past fiscal year, with a \$266.5 million increase in the net assets of the governmental activities and a \$216.3 million decrease in the net assets of the business-type activities. Net assets of the governmental activities increased 6.5% during 2011, while 2010 increased 3.1%. The net assets of the business-type activities had a 131.7% decline, on top of a 79.8% decline in 2010. Nevada's recovery remains fragile and it appears economic growth will come at a modest and steady pace. Key economic indicators from the State's tourism and retail industries have been running positive for some time. Tax revenues for governmental activities increased in the current fiscal year \$70.0 million or 2.0%, compared to an increase of \$209.9 million or 6.4% in the prior fiscal year. This increase was mainly a result of increased collection of sales taxes, gaming taxes and mining taxes. Part of the sales tax increase amounting to \$15.0 million resulted from the tax amnesty program. Increased revenue of \$155.0 million was received by the Highway Fund under provisions of Assembly Bill 595 from the 74th Legislative Session, which authorizes counties to sell bonds for in-county highway projects. Clark County sold bonds and paid the proceeds to the Highway Fund in 2011 to carry out selected projects. Also, there was a continued slowdown in property and transfer taxes. In addition, mining fees totaling \$18.1 million will be refunded beginning in fiscal year 2012, under Senate Bill 493 of the 74th Legislative Session.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds:

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.46 billion, a decrease of \$119.5 million in comparison with the prior year. Of these total ending fund balances, \$625.6 million (43.0%) is nonspendable, either due to its form or legal constraints, and \$487.7 million (33.5%) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$459.4 million (31.5%) of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. The remaining (\$116.2) million (8.0%) of fund balance is unassigned. The major funds are discussed more fully below.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund fund balance was \$246.7 million compared to \$234.6 million in the prior fiscal year. This \$12.1 million increase consists of a \$64.9 million increase to the beginning fund balance and a \$52.8 million decrease from operations. The beginning fund balance increase was due to a net restatement from the Nonmajor Governmental Funds to the General Fund as related to the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is more fully described in Note 16. The fund balance decrease from operations of \$52.8 million during the current fiscal year is a 17.6% decrease from the prior year. Reasons for this decrease are discussed in further detail below. The negative unassigned fund balance of \$115.9 million is mostly due to an accrual for Medicaid expenditures and for deferral of gaming taxes and mining taxes already collected and budgeted.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2011 and 2010 (expressed in thousands). Other financing sources are not included.

General Fund Revenues (expressed in thousands)						
	2011		2010		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 835,245	13.5%	\$ 827,681	13.7%	\$ 7,564	0.9%
Sales taxes	925,898	15.0%	870,539	14.5%	55,359	6.4%
Modified business taxes	381,901	6.2%	385,110	6.4%	(3,209)	-0.8%
Insurance premium taxes	234,831	3.8%	233,906	3.9%	925	0.4%
Property and transfer taxes	51,552	0.8%	53,315	0.9%	(1,763)	-3.3%
Motor and special fuel taxes	2,953	0.0%	3,016	0.1%	(63)	-2.1%
Other taxes	583,828	9.4%	543,573	9.0%	40,255	7.4%
Intergovernmental	2,688,280	43.4%	2,708,799	45.0%	(20,519)	-0.8%
Licenses, fees and permits	301,462	4.9%	244,507	4.1%	56,955	23.3%
Sales and charges for services	53,284	0.9%	53,333	0.9%	(49)	-0.1%
Interest and investment income	10,161	0.2%	11,657	0.2%	(1,496)	-12.8%
Other revenues	117,688	1.9%	81,500	1.3%	36,188	44.4%
Total revenues	<u>\$ 6,187,083</u>	<u>100.0%</u>	<u>\$ 6,016,936</u>	<u>100.0%</u>	<u>\$ 170,147</u>	<u>2.8%</u>

The total General Fund revenues increased 2.8%. The largest increases in revenue sources were \$56.9 million or 23.3% in licenses, fees and permits, \$55.3 million or 6.4% in sales taxes, \$40.2 million or 7.4% in other taxes and \$36.1 million or 44.4% in other revenues. The largest increases in other taxes and other revenues include mining taxes, transient lodging taxes (room tax) and unclaimed property collections. The largest decline in revenue source was \$20.5 million or .8% in intergovernmental revenue, due to a net decrease of federal funds primarily through the American Recovery and Reinvestment Act.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2011 and 2010 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures (expressed in thousands)						
	2011		2010		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 140,751	2.2%	\$ 91,485	1.5%	\$ 49,266	53.9%
Health and social services	2,890,268	45.7%	2,716,246	44.6%	174,022	6.4%
Education and support services	53,333	0.8%	56,712	0.9%	(3,379)	-6.0%
Law, justice and public safety	434,004	6.9%	462,314	7.6%	(28,310)	-6.1%
Regulation of business	90,492	1.4%	84,885	1.4%	5,607	6.6%
Recreation, resource development	107,769	1.7%	108,135	1.8%	(366)	-0.3%
Intergovernmental	2,602,499	41.2%	2,568,947	42.2%	33,552	1.3%
Debt service	3,684	0.1%	1,747	0.0%	1,937	110.9%
Total expenditures	<u>\$ 6,322,800</u>	<u>100.0%</u>	<u>\$ 6,090,471</u>	<u>100.0%</u>	<u>\$ 232,329</u>	<u>3.8%</u>

The total General Fund expenditures increased 3.8%. Health and social services expenditures increased \$174.0 million or 6.4%. The largest portion of this amount was for the Medicaid and food stamp programs. General government expenditures increased \$49.3 million or 53.9%. This increase was the result of combining the Legislative Fund into the General Fund, as required by the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Legislative Fund was its own separate special revenue fund in the prior year. Law, justice and public safety expenditures decreased \$28.3 million or (6.1%) primarily due to a reduction in new capital leases.

The State Highway Fund is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance increased \$17.6 million during the current fiscal year, which is a 6.4% increase from the prior year. This increase is primarily due to increased intergovernmental payments authorized by State Assembly Bill 595 from the 74th Legislative Session. The nonspendable fund balance is \$13.0 million and the restricted fund balance is \$275.2 million.

The Municipal Bond Bank Fund is a special revenue fund used to account for revenues and expenditures associated with buying local government bonds with proceeds of State general obligation bonds. The fund balance decreased by \$24.4 million during the current fiscal year, which is a 7.8% decrease from the prior year. This decrease was primarily due to local governments refunding bonds and a decrease in interest and investment income.

The Consolidated Bond Interest and Redemption Fund is a debt service fund used to accumulate monies for the payment of leases and principal and interest on general obligation bonds of the State. The fund balance decreased by \$16.8 million during the current fiscal year, which is a 10.5% decrease from the prior year. The largest changes to the fund balance came from smaller property tax collections and the larger pay down of bond principal.

Proprietary Funds:

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

Enterprise Funds – There are three *major* enterprise funds: Housing Division Fund, Unemployment Compensation Fund and Water Projects Loans Fund. The combined net assets of the three major funds is a negative \$94.5 million while total combined net assets of all enterprise funds is a negative \$52.0 million. The combined net assets of the enterprise funds decreased by \$216.1 million in 2011. The major enterprise funds are discussed below:

The Housing Division Fund provides low interest loans to first-time homebuyers with low or moderate household incomes. The net assets increased by \$8.9 million or 4.8% during the current fiscal year, and the results of operations were up 51.3% from last year, due to revenue from the federal government and the reduced interest expense on bonds payable. Part of the \$8.9 million increase resulted from \$7.5 million in federal grant revenue through the Nevada Affordable Housing Assistance Corporation, the Housing Division's component unit.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net assets decreased by \$265.3 million during the current fiscal year, which is an 87.9% decrease from the prior year. The leading causes for the net asset decrease were the reduced revenue from the federal government and the high claims expense. Claims expense exceeded revenues by \$239.1 million for fiscal year 2011. Fiscal year 2011 total claims expense of \$1.7 billion was less than the fiscal year 2010 total claims expense of \$2.2 billion, a \$480.5 million or 21.5% decrease. This decrease in claims expense was the result of the expiration for the extension of the claim period and an increase in employment. As of June 30, 2011, the total amount of federal unemployment advances and interest due to the U.S. Department of Labor in accordance with provisions Title XII, Section 1201 of the Social Security Act totaled \$773.1 million and \$14.7 million, respectively.

The Water Projects Loans Fund issues loans to governmental and private entities for two programs: safe drinking water and water pollution control. The federal EPA matches the State's bond proceeds to make loans to governmental entities; only federal funds are loaned to private entities. Total revenues exceeded expenses and transfers by \$28.9 million during the current fiscal year, for final net assets of \$280.0 million, which is an 11.5% increase from the prior year.

Internal Service Funds – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and motor pool in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2011, total internal service fund net assets increased by \$4.0 million, for a final net asset balance of \$58.1 million. The two largest funds are:

The Self-Insurance Fund accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. Net assets increased by \$21.9 million during the current fiscal year, which is a 40.1% increase from the prior year, leaving final net assets of \$76.6 million. This year's increase was caused primarily by an 8.4% increase in insurance premium income.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The deficit increased by \$15.8 million or 65.4% during fiscal year 2011, to a total deficit of \$39.9 million. This year's decrease from operations was caused primarily by a 133.8% increase in claims expense from court awards and attorney fees. NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The General Fund total sources were \$546.6 million or 6.9% less than the final budget. This was due primarily to actual intergovernmental revenues received that were less than the final budgeted amount. Intergovernmental revenues represent federal grants, and there are timing differences arising from when grants are awarded, received and spent.

The net increase in the General Fund expenditures and other uses budget from original to final was \$960.5 million. Some of the differences originate because the original budget consists only of budgets subject to legislative approval through the General Appropriations Act and the Authorizations Bill. The non-executive budgets, not subject to legislative approval, only require approval by the Budget Division and if approved after July 1, are considered to be revisions.

Increases due to the non-executive budgets approved after July 1 and increased estimated receipts were approximately \$755.8 million. Other budget revisions included: \$97.0 million for the State Distributive School Account to cover unanticipated shortfalls in tax revenues; \$23.9 million for interest payments due the federal government for the loan that was made to the State upon depletion of the Nevada Unemployment Compensation Fund; and \$10.0 million for the Millennium Scholarship Program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2011, amount to \$6.4 billion, net of accumulated depreciation of \$945.4 million, leaving a net book value of \$5.5 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, software costs, infrastructure, rights-of-way, and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense on infrastructure. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State; 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80 and will also maintain its bridges so that not more than 10% are structurally deficient or functionally obsolete. The Department of Transportation conducts a biennial condition assessment of roadways and bridges in odd numbered calendar years. However, the calendar year 2011 assessment is not available as of the date of this report. Based on the 2009 assessments, the State has met the requirement of the modified approach for roadways, but not for bridges. The following table shows the State's policy and the condition level of the roadways and bridges:

Condition Level of the Roadways
Percentage of roadways with an IRI of less than 80

	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%

Condition Level of the Bridges
Percentage of substandard bridges

	2009	2007	2005
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	15%	4%	3%

The substandard condition of bridges, for the most current condition assessment, is the result of a change in bridge reporting and inspection methodologies. The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2011 by \$86.0 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimates, condition levels are expected to continue to meet or exceed the target condition levels for the roadway category. The State is considering revising its policy for bridges to allow for the changes in reporting and inspection methodologies. Additional information on the State's infrastructure can be found in the Schedule of Infrastructure Condition and Maintenance Data in the Required Supplementary Information section to the financial statements.

To keep pace with the demands of the population, the State also has a substantial capital projects program. The following is a summary of major projects in progress during 2011 (expressed in millions):

	Expended by June 30, 2011	Total Budget
Indian Springs Conservation Camp	\$ 40.6	\$ 40.9
Readiness Center North Las Vegas	2.5	35.8
Unemployment Insurance Software Development	11.3	35.6
SDCC Housing Unit & Planning	22.5	28.9
Las Vegas Readiness Center	24.2	25.9
Las Vegas Readiness Center - Field Maintenance Shop	0.7	24.3
Department of Corrections Energy Retrofit	15.2	18.0
Elko County Readiness Center	6.7	16.6
Civil Support Team WMD Readiness Center	0.7	13.7
Welfare Web Based Benefit Software Development	8.5	10.1

The total increase in the State's capital assets for the primary government for the current fiscal year was \$325.0 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$76.2 million.

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

Debt Administration:

As of year-end, the State had \$4.9 billion in long-term liabilities outstanding, compared to \$4.8 billion last year, an increase of \$83.5 million or 1.7% during the current fiscal year. This increase was due primarily to the issuance of general obligation bonds.

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

New bonds issued during the 2011 fiscal year were (expressed in thousands):

General Obligation Capital Improvement and Refunding Bonds	12/21/2010C	\$121,920
General Obligation Natural Resources and Refunding Bonds	12/21/2010D	20,170
General Obligation Water Pollution Control Revolving Fund Matching Bonds	12/21/2010G	4,535
General Obligation Water Pollution Control Revolving Fund Leveraged Refunding Bonds	12/21/2010H	8,350
General Obligation Safe Drinking Water Revolving Fund Matching and Refunding Bonds	12/21/2010I	6,235
Housing Single-Family 2009 Issue I-A	11/22/2010	15,000
Housing Single-Family 2010 Issue I	11/22/2010	10,000
Housing Single-Family 2011 Issue A	06/30/2011	13,600
Housing Single-Family 2009 Issue I-B	06/30/2011	20,400
Housing Multi-Unit College Villas	01/21/2011	12,000
Housing Multi-Unit Washoe Mills	01/21/2011	8,820

This list of new bonds does not agree completely with the schedule of additions as seen in Note 8 to the financial statements, due to the inclusion of deferred items and bonds redeemed prior to year-end.

Additional information on the State’s long-term debt obligations can be found in Note 8 to the financial statements and in the Statistical Section.

Requests for Information

This financial report is designed to provide a general overview of the State of Nevada’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: State of Nevada, Office of the State Controller, 101 N. Carson Street, Suite 5, Carson City, NV 89701-4786 or visit our website at: www.controller.nv.gov.

Statement of Net Assets



NEVADA

June 30, 2011 (Expressed in Thousands)

	Primary Government		Total	Component Units	
	Governmental Activities	Business-Type Activities		Colorado River Commission	Nevada System of Higher Education
Assets					
Cash and pooled investments	\$ 1,386,263	\$ 224,660	\$ 1,610,923	\$ 7,189	\$ 240,687
Investments	602,516	767,961	1,370,477	-	881,402
Internal balances	7,986	(7,986)	-	-	-
Due from component unit	6,929	-	6,929	-	-
Due from primary government	-	-	-	20	35,349
Accounts receivable	74,913	3,949	78,862	17,262	39,539
Taxes/assessments receivable	748,094	170,176	918,270	-	-
Intergovernmental receivables	423,367	2,392	425,759	-	38,312
Accrued interest and dividends	4,863	11,935	16,798	14	-
Contracts receivable	-	19,750	19,750	-	-
Mortgages receivable	-	582,206	582,206	-	-
Notes/loans receivable	11,488	40,757	52,245	-	12,595
Other receivables	16	1,498	1,514	-	53,079
Inventory	14,231	1,435	15,666	-	5,948
Prepaid expenses	1,598	334	1,932	29,503	-
Deferred charges	18,789	4,190	22,979	-	-
Restricted assets:					
Cash	-	-	-	10,026	36,264
Investments	-	149,715	149,715	-	30,897
Other assets	-	3,799	3,799	-	48,273
Capital assets:					
Land, infrastructure and construction in progress	4,273,827	9,093	4,282,920	-	170,515
Other capital assets, net	1,223,659	1,672	1,225,331	54,535	1,815,599
Total assets	8,798,539	1,987,536	10,786,075	118,549	3,408,459
Liabilities					
Accounts payable	777,925	46,518	824,443	11,084	39,828
Accrued payroll and related liabilities	60,410	964	61,374	-	29,756
Intergovernmental payables	85,119	120	85,239	-	-
Interest payable	22,768	23,444	46,212	1,281	11,995
Due to component units	31,850	48	31,898	-	-
Due to primary government	-	-	-	24	6,905
Contracts/retentions payable	56,317	-	56,317	-	-
Unearned revenues	385,980	10,474	396,454	702	40,552
Other liabilities	74,063	9,149	83,212	4,975	27,633
Long-term liabilities:					
<i>Portion due or payable within one year:</i>					
Reserve for losses	53,430	-	53,430	-	-
Obligations under capital leases	2,341	-	2,341	-	1,613

Compensated absences	65,886	1,096	66,982	205	31,402
Benefits payable	-	11,601	11,601	-	-
Bonds payable	160,016	90,185	250,201	5,964	19,916
Certificates of participation payable	1,758	-	1,758	-	-
Arbitrage rebate liability	864	-	864	-	-
<i>Portion due or payable after one year:</i>					
Federal advances	-	773,160	773,160	-	7,815
Reserve for losses	41,048	-	41,048	-	-
Obligations under capital leases	28,629	-	28,629	-	2,907
Compensated absences	33,871	658	34,529	93	16,977
Benefits payable	-	130,374	130,374	-	-
Bonds payable	2,509,835	941,763	3,451,598	85,146	506,060
Certificates of participation payable	54,308	-	54,308	-	-
Due to component unit	3,471	-	3,471	-	-
Arbitrage rebate liability	615	37	652	-	-
Total liabilities	4,450,504	2,039,591	6,490,095	109,474	743,359
Net Assets					
Invested in capital assets, net of related debt	3,875,141	3,120	3,878,261	(4,184)	1,451,814
Restricted for:					
Security of outstanding obligations	-	183,193	183,193	-	-
Workers' compensation	-	30,483	30,483	-	-
Tuition contract benefits	-	3,301	3,301	-	-
Capital projects	5,100	-	5,100	-	82,830
Debt service	32,133	-	32,133	-	14,304
Education and support services	1,564	-	1,564	-	-
Transportation	288,356	-	288,356	-	-
Recreation and resource development	90,671	280,050	370,721	-	-
Law, justice and public safety	7,942	-	7,942	-	-
Health and social services	10,129	-	10,129	-	-
Regulation of business	7,139	6,063	13,202	-	-
Scholarships	-	-	-	-	274,614
Loans	-	-	-	-	8,009
Operations and maintenance	-	-	-	711	-
Research and development	-	-	-	2,139	-
Other purposes	-	-	-	-	-
Funds held as permanent investments:	173	-	173	-	-
Nonexpendable	306,591	-	306,591	-	309,044
Expendable	20	-	20	-	-
Unrestricted (deficit)	(276,924)	(558,265)	(835,189)	10,409	524,485
Total net assets	\$ 4,348,035	\$ (52,055)	\$ 4,295,980	\$ 9,075	\$ 2,665,100

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

Statement of Activities



NEVADA

For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Colorado River Commission	Nevada System of Higher Education
					Governmental Activities	Business-type Activities	Total		
Primary Government									
Governmental activities:									
General government	\$ 334,616	\$ 301,856	\$ 54,606	\$ 98	\$ 21,944	\$ -	\$ 21,944	\$ -	\$ -
Health and social services	3,209,237	156,698	2,047,595	1,800	(1,003,144)	-	(1,003,144)	-	-
Education and support services	2,393,536	4,730	449,190	-	(1,939,616)	-	(1,939,616)	-	-
Law, justice and public safety	667,598	234,385	47,620	3,195	(382,398)	-	(382,398)	-	-
Regulation of business	122,679	63,506	37,307	-	(21,866)	-	(21,866)	-	-
Transportation	630,657	66,145	373,643	159,401	(31,468)	-	(31,468)	-	-
Recreation and resource development	153,404	42,961	38,805	217	(71,421)	-	(71,421)	-	-
Interest on long-term debt	128,606	-	1,326	-	(127,280)	-	(127,280)	-	-
Unallocated depreciation	1,402	-	-	-	(1,402)	-	(1,402)	-	-
Total governmental activities	7,641,735	870,281	3,050,092	164,711	(3,556,651)	-	(3,556,651)	-	-
Business-type activities:									
Unemployment insurance	1,767,632	1,587	1,108,638	-	-	(657,407)	(657,407)	-	-
Housing	83,467	21,385	70,993	-	-	8,911	8,911	-	-
Water loans	16,476	8,370	38,635	-	-	30,529	30,529	-	-
Workers' compensation and safety	29,642	35,071	2,913	-	-	8,342	8,342	-	-
Higher education	18,959	89	30,750	-	-	11,880	11,880	-	-
Other	28,905	30,854	20	-	-	1,969	1,969	-	-
Total business-type activities	1,945,081	97,356	1,251,949	-	-	(595,776)	(595,776)	-	-
Total primary government	\$ 9,586,816	\$ 967,637	\$ 4,302,041	\$ 164,711	\$ (3,556,651)	\$ (595,776)	\$ (4,152,427)	\$ -	\$ -
Component Units									
Colorado River Commission	\$ 89,694	\$ 89,467	\$ -	\$ -	\$ -	\$ -	\$ -	(207)	(536,521)
Nevada System of Higher Education	1,525,501	555,001	423,598	10,381	-	-	-	-	(536,521)
Total component units	\$ 1,615,195	\$ 644,488	\$ 423,598	\$ 10,381	\$ -	\$ -	\$ -	(207)	(536,521)

General revenues:					
Taxes:					
Gaming	817,070	-	-	817,070	-
Sales and use	832,293	-	-	832,293	-
Modified business	378,971	-	-	378,971	-
Insurance premium	233,334	-	-	233,334	-
Property and transfer	51,552	-	-	51,552	-
Motor and special fuel	2,953	-	-	2,953	-
Other	551,821	-	-	551,821	-
Restricted for unemployment compensation:					
Other taxes	-	403,509	-	403,509	-
Restricted for educational purposes:					
Sales and use taxes	99,618	-	-	99,618	-
Gaming taxes	32,951	-	-	32,951	-
Restricted for debt service purposes:					
Property and transfer taxes	158,172	-	-	158,172	-
Motor and special fuel taxes	84,222	-	-	84,222	-
Other	26,632	-	-	26,632	-
Restricted for recreation and resource development purposes:					
Other taxes	28,988	-	-	28,988	-
Other	8,827	-	-	8,827	-
Restricted for health and social services purposes:					
Property and transfer taxes	22,034	-	-	22,034	-
Other taxes	40,664	-	-	40,664	-
Restricted for transportation purposes:					
Motor and special fuel taxes	180,474	-	-	180,474	-
Other taxes	36,579	-	-	36,579	-
Restricted for regulation purposes:					
Other taxes	4,068	-	-	4,068	-
Tobacco settlement income	39,127	-	-	39,127	-
Unrestricted investment earnings	(4,182)	-	15	(4,182)	15
Other general revenues	166,323	-	1,492	166,323	1,492
Contributions to permanent funds	6,637	-	-	6,637	-
Payments from State of Nevada	-	-	-	-	-
Transfers	24,044	(24,044)	-	-	-
Total general revenues and transfers	3,823,172	379,465	4,202,637	4,202,637	1,507
Change in net assets	266,521	(216,311)	50,210	50,210	1,300
Net assets - beginning	4,081,514	164,256	4,245,770	4,245,770	7,775
Net assets - ending	\$ 4,348,035	\$ (52,055)	\$ 4,295,980	\$ 4,295,980	\$ 9,075
					\$ 2,665,100

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

Balance Sheet Governmental Funds

June 30, 2011

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>
Assets			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 561,410,708	\$ 303,487,116	\$ 111,083
Cash in custody of other officials	2,829,310	195,075	-
Investments	9,222,152	-	287,210,000
<i>Receivables:</i>			
Accounts receivable	26,489,963	24,585,540	-
Taxes receivable	707,112,297	35,197,737	-
Intergovernmental receivables	254,769,145	28,400,591	-
Accrued interest and dividends	2,459,189	-	1,309,524
Notes/loans receivable	11,383,586	-	-
Other receivables	15,830	-	-
Due from other funds	31,568,378	7,537,761	5,322
Due from fiduciary funds	144,325	-	-
Due from component units	192,528	-	-
Inventory	522,699	13,005,618	-
Advances to other funds	6,850,927	-	-
Prepaid items	1,386,189	17,663	-
Total assets	\$ 1,616,357,226	\$ 412,427,101	\$ 288,635,929
Liabilities and Fund Balances			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 300,737,701	\$ 25,415,067	\$ -
Accrued payroll and related liabilities	41,299,865	14,798,639	-
Intergovernmental payables	75,616,266	6,347,737	-
Interest payable	-	-	-
Contracts/retentions payable	692,089	49,330,593	-
Due to other funds	32,230,740	3,661,502	276,851
Due to fiduciary funds	425,211,302	461,361	-
Due to component units	7,472,025	374,212	-
Deferred revenues	414,298,556	22,557,520	1,311,616
Bonds payable	-	-	-
Other liabilities	72,053,483	1,299,599	-
Total liabilities	1,369,612,027	124,246,230	1,588,467
Fund balances:			
Nonspendable	18,455,296	13,023,281	287,047,462
Restricted	73,687,011	275,157,590	-
Committed	270,568,043	-	-
Unassigned	(115,965,151)	-	-
Total fund balances	246,745,199	288,180,871	287,047,462
Total liabilities and fund balances	\$ 1,616,357,226	\$ 412,427,101	\$ 288,635,929

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

Consolidated Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
\$ 139,369,316	\$ 235,815,773	\$ 1,240,193,996
-	131,406	3,155,791
-	306,083,723	602,515,875
-	21,504,755	72,580,258
-	5,783,768	748,093,802
127,487,153	6,740,937	417,397,826
-	1,094,137	4,862,850
-	-	11,383,586
-	-	15,830
9,787,919	45,125,367	94,024,747
-	401,681	546,006
5,360,000	-	5,552,528
-	469,896	13,998,213
1,355,729	-	8,206,656
-	2,888	1,406,740
<u>\$ 283,360,117</u>	<u>\$ 623,154,331</u>	<u>\$ 3,223,934,704</u>
\$ 28,653	\$ 13,347,758	\$ 339,529,179
-	2,893,994	58,992,498
-	3,096,138	85,060,141
3,081,740	-	3,081,740
-	6,294,398	56,317,080
13,391	61,135,672	97,318,156
-	5,774	425,678,437
-	23,966,713	31,812,950
131,958,148	20,491,371	590,617,211
5,105,000	-	5,105,000
-	544,249	73,897,331
<u>140,186,932</u>	<u>131,776,067</u>	<u>1,767,409,723</u>
-	307,063,476	625,589,515
-	138,882,858	487,727,459
143,173,185	45,623,111	459,364,339
-	(191,181)	(116,156,332)
<u>143,173,185</u>	<u>491,378,264</u>	<u>1,456,524,981</u>
<u>\$ 283,360,117</u>	<u>\$ 623,154,331</u>	<u>\$ 3,223,934,704</u>

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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets



NEVADA

June 30, 2011

Total fund balances - governmental funds

\$ 1,456,524,981

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

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

Land	\$ 138,354,239	
Construction in progress	195,698,062	
Infrastructure assets	3,344,626,271	
Rights-of-way	595,017,077	
Buildings	1,494,162,158	
Improvements other than buildings	117,072,805	
Furniture and equipment	327,390,408	
Software costs	139,880,211	
Accumulated depreciation/amortization	<u>(877,771,425)</u>	
Total capital assets		5,474,429,806

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 204,737,849

Intergovernmental receivable not providing current resources. 221,045

The Judicial Retirement System of Nevada has a net pension obligation not reported as an expenditure in the funds. (165,219)

Amounts due to component unit for bonds authorized to be issued are not reported in the funds as they are not due and payable. (3,471,391)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 58,145,318

The deferred loss on early retirement of debt is reported as a deferred charge on the statement of net assets and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less. 5,299,064

Certain bond costs are reported as a deferred charge on the statement of net assets and are amortized over the life of the debt. 13,490,793

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

Bonds payable	(2,657,443,471)	
Accrued interest on bonds	(19,686,298)	
Arbitrage rebate liability	(1,479,076)	
Certificates of participation	(56,065,937)	
Capital leases	(29,712,523)	
Compensated absences	<u>(96,790,344)</u>	
Total long-term liabilities		<u>(2,861,177,649)</u>

Net assets of governmental activities

\$ 4,348,034,597

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

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

For the Fiscal Year Ended June 30, 2011

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	\$ 835,245,035	\$ -	\$ -
Sales taxes	925,898,572	-	-
Modified business taxes	381,900,657	-	-
Insurance premium taxes	234,830,927	-	-
Property and transfer taxes	51,552,368	-	-
Motor and special fuel taxes	2,953,258	180,473,336	-
Other taxes	583,827,989	38,422,752	-
Intergovernmental	2,688,280,009	564,571,400	-
Licenses, fees and permits	301,461,573	171,405,977	-
Sales and charges for services	53,284,016	13,184,447	-
Interest and investment income	10,160,639	854,728	14,815,945
Tobacco settlement income	-	-	-
Land sales	-	-	-
Other	117,688,161	13,073,964	-
Total revenues	6,187,083,204	981,986,604	14,815,945
Expenditures			
<i>Current:</i>			
General government	140,750,619	-	-
Health and social services	2,890,267,944	-	-
Education and support services	53,333,296	-	-
Law, justice and public safety	434,003,738	151,334,167	-
Regulation of business	90,492,389	-	-
Transportation	-	751,646,816	-
Recreation and resource development	107,768,628	-	-
Intergovernmental	2,602,499,619	58,720,989	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	2,061,678	103,771	-
Interest, fiscal charges	1,622,562	6,574	-
Debt issuance costs	-	-	-
Total expenditures	6,322,800,473	961,812,317	-
Excess (deficiency) of revenues over expenditures	(135,717,269)	20,174,287	14,815,945
Other Financing Sources (Uses)			
Capital leases	408,023	-	-
Sale of general obligation bonds	-	-	-
Sale of general obligation refunding bonds	-	-	-
Premium on general obligation bonds	-	-	-
Payment to refunded bond agent	-	-	-
Sale of capital assets	70,189	-	-
Transfers in	107,707,271	6,472,948	-
Transfers out	(25,194,930)	(9,065,648)	(39,264,825)
Total other financing sources (uses)	82,990,553	(2,592,700)	(39,264,825)
Net change in fund balances	(52,726,716)	17,581,587	(24,448,880)
Fund balances, July 1 (as restated)	299,471,915	270,599,284	311,496,342
Fund balances, June 30	\$ 246,745,199	\$ 288,180,871	\$ 287,047,462

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



Consolidated Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 14,487,717	\$ 849,732,752
-	-	925,898,572
-	-	381,900,657
-	-	234,830,927
158,172,271	22,033,744	231,758,383
-	84,222,330	267,648,924
-	42,176,180	664,426,921
16,275,822	103,437,636	3,372,564,867
-	24,979,254	497,846,804
202,678	15,252,014	81,923,155
834,341	5,187,754	31,853,407
-	39,517,146	39,517,146
-	560,767	560,767
-	12,698,723	143,460,848
<u>175,485,112</u>	<u>364,553,265</u>	<u>7,723,924,130</u>
233,987	381,393	141,365,999
-	119,118,038	3,009,385,982
-	462,387	53,795,683
-	23,891,696	609,229,601
-	19,435,718	109,928,107
-	-	751,646,816
-	22,001,419	129,770,047
393,731	54,542,759	2,716,157,098
-	41,105,339	41,105,339
135,960,000	56,795,000	194,920,449
103,076,905	31,136,036	135,842,077
1,093,615	206,198	1,299,813
<u>240,758,238</u>	<u>369,075,983</u>	<u>7,894,447,011</u>
<u>(65,273,126)</u>	<u>(4,522,718)</u>	<u>(170,522,881)</u>
-	-	408,023
-	22,655,000	22,655,000
117,415,000	-	117,415,000
12,251,952	919,871	13,171,823
(128,529,203)	-	(128,529,203)
-	18,817	89,006
61,288,073	45,699,061	221,167,353
(14,000,000)	(107,836,664)	(195,362,067)
<u>48,425,822</u>	<u>(38,543,915)</u>	<u>51,014,935</u>
<u>(16,847,304)</u>	<u>(43,066,633)</u>	<u>(119,507,946)</u>
160,020,489	534,444,897	1,576,032,927
<u>\$ 143,173,185</u>	<u>\$ 491,378,264</u>	<u>\$ 1,456,524,981</u>

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



NEVADA

For the Fiscal Year Ended June 30, 2011

Net change in fund balances - total governmental funds

\$ (119,507,946)

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

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

Capital outlay	\$245,790,309	
Depreciation expense	(70,210,545)	
Excess of capital outlay over depreciation expense		175,579,764

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

Bonds issued	(140,070,000)	
Premiums on debt issued	(13,171,824)	
Total bond proceeds		(153,241,824)

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(408,023)

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

Bond principal retirement	196,381,677	
Certificates of participation retirement	605,000	
Payments to the bond refunding agent	128,529,203	
Capital lease payments	1,974,179	
Total long-term debt repayment		327,490,059

Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities.

4,204,290

Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues unavailable decreased by this amount.

(7,307,764)

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

(4,676,127)

In the statement of activities, bond issuance costs are deferred and amortized over the life of the bonds, whereas in governmental funds the entire expenditure is recognized.

1,299,814

Amortization of bond issuance costs is reported as an expense for the statement of activities.

(1,082,852)

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

(2,889,665)

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

10,542,908

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

Increase in pension obligation	(175,221)	
Decrease in accrued interest	3,016,270	
Decrease in compensated absences	3,600,552	
Decrease in arbitrage liability	1,739,277	
Decrease in long term due to component unit	28,336,755	
Total additional expenditures		36,517,633

Change in net assets of governmental activities

\$ 266,520,267

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

Statement of Net Assets Proprietary Funds

June 30, 2011

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	
Assets						
Current assets:						
<i>Cash and pooled investments:</i>						
Cash with treasurer	\$ 589,954	\$ -	\$ 84,428,882	\$ 47,883,250	\$ 132,902,086	\$ 142,913,103
Cash in custody of other officials	5,174,137	80,178,629	-	6,405,296	91,758,062	100
Investments	106,209,899	-	-	126,232,291	232,442,190	-
<i>Receivables:</i>						
Accounts receivable	-	-	-	3,942,205	3,942,205	1,787,141
Assessments receivable	-	170,175,984	-	-	170,175,984	-
Intergovernmental receivables	-	-	1,949,103	442,784	2,391,887	5,747,939
Contracts receivable	-	-	-	4,515,830	4,515,830	-
Mortgages receivable	11,423,954	-	-	-	11,423,954	-
Accrued interest and dividends	7,966,094	-	3,482,622	486,222	11,934,938	-
Notes/loans receivable	-	-	-	-	-	5,000
Trades pending settlement	-	-	-	1,497,824	1,497,824	-
Due from other funds	8,868	-	275,412	2,089,756	2,374,036	6,905,271
Due from fiduciary funds	-	-	-	6,970	6,970	106
Due from component units	-	-	-	-	-	1,375,416
Inventory	-	-	-	1,434,763	1,434,763	232,500
Prepaid expenses	294,253	-	-	39,833	334,086	191,096
Deferred outflow of resources	3,699,570	-	-	-	3,699,570	-
<i>Restricted assets:</i>						
Investments	128,463,204	-	-	-	128,463,204	-
Total current assets	263,829,933	250,354,613	90,136,019	194,977,024	799,297,589	159,157,672
Noncurrent assets:						
Investments	282,355,751	-	253,162,931	-	535,518,682	-
<i>Receivables:</i>						
Contracts receivable	-	-	-	15,234,006	15,234,006	-
Mortgages receivable	570,782,034	-	-	-	570,782,034	-
Notes/loans receivable	999,033	-	39,757,630	-	40,756,663	100,000
Deferred charges	2,408,027	-	1,670,706	111,537	4,190,270	-
<i>Restricted assets:</i>						
Investments	21,251,850	-	-	-	21,251,850	-
Other assets	84,836	-	-	15,000	99,836	-
<i>Capital assets:</i>						
Land	-	-	-	567,812	567,812	130,954
Buildings	-	-	-	3,388,840	3,388,840	18,789,315
Improvements other than buildings	-	-	-	630,647	630,647	3,839,621
Furniture and equipment	382,517	-	35,280	5,196,995	5,614,792	44,602,644
Software costs	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	8,525,388	8,525,388	-
Less accumulated depreciation/ amortization	(382,517)	-	(35,280)	(7,544,239)	(7,962,036)	(59,630,149)
Total noncurrent assets	877,881,531	-	294,591,267	26,125,986	1,198,598,784	23,156,195
Total assets	1,141,711,464	250,354,613	384,727,286	221,103,010	1,997,896,373	182,313,867

Enterprise Funds

	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities:						
<i>Accounts payable and accruals:</i>						
Accounts payable	\$ 17,483,540	\$ 27,470,838	\$ 19,651	\$ 1,342,998	\$ 46,317,027	\$ 10,192,640
Accrued payroll and related liabilities	86,080	-	17,946	859,717	963,743	1,417,235
Interest payable	6,802,971	14,753,067	1,851,240	36,863	23,444,141	-
Intergovernmental payables	-	-	106,634	13,311	119,945	58,497
Trades pending settlement	-	-	-	5,438,067	5,438,067	-
Bank overdraft	-	-	-	-	-	2,516,747
Due to other funds	16,323	2,147,174	422,236	2,372,482	4,958,215	1,027,683
Due to fiduciary funds	-	-	82,808	117,819	200,627	7,669
Due to component units	-	-	17,333	30,171	47,504	37,072
Unearned revenues	-	-	-	10,474,180	10,474,180	101,011
Derivative instrument - interest rate swap	3,699,570	-	-	-	3,699,570	-
Other liabilities	-	-	-	11,509	11,509	-
<i>Short-term portion of long-term liabilities:</i>						
Reserve for losses	-	-	-	-	-	53,430,212
Compensated absences	164,298	-	26,203	905,216	1,095,717	1,843,274
Benefits payable	-	-	-	11,600,744	11,600,744	-
Bonds payable	81,077,000	-	8,967,138	141,243	90,185,381	513,323
Obligations under capital leases	-	-	-	-	-	881,643
Arbitrage rebate liability	-	-	-	-	-	-
Total current liabilities	109,329,782	44,371,079	11,511,189	33,344,320	198,556,370	72,027,006
Noncurrent liabilities:						
Advances from funds	-	-	-	5,310,050	5,310,050	2,896,606
Federal Unemployment Advance	-	773,160,968	-	-	773,160,968	-
Reserve for losses	-	-	-	-	-	41,047,552
Compensated absences	148,668	-	8,876	500,860	658,404	1,123,712
Benefits payable	-	-	-	130,374,551	130,374,551	-
Bonds payable	839,558,030	-	93,121,823	9,082,848	941,762,701	6,789,541
Obligations under capital leases	-	-	-	-	-	376,198
Arbitrage rebate liability	-	-	36,616	-	36,616	-
Total noncurrent liabilities	839,706,698	773,160,968	93,167,315	145,268,309	1,851,303,290	52,233,609
Total liabilities	949,036,480	817,532,047	104,678,504	178,612,629	2,049,859,660	124,260,615
Net Assets						
Invested in capital assets, net of related debt	-	-	-	3,120,443	3,120,443	14,681,508
<i>Restricted for:</i>						
Tuition contract benefits	-	-	-	3,300,734	3,300,734	-
Security of outstanding obligations	183,193,366	-	-	-	183,193,366	-
Workers' compensation	-	-	-	30,483,353	30,483,353	-
Revolving loans	-	-	280,048,782	-	280,048,782	-
Regulation of business	6,060,931	-	-	2,000	6,062,931	-
Unrestricted (deficit)	3,420,687	(567,177,434)	-	5,583,851	(558,172,896)	43,371,744
Total net assets	\$ 192,674,984	\$ (567,177,434)	\$ 280,048,782	\$ 42,490,381	(51,963,287)	\$ 58,053,252

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities

(92,066)
\$ (52,055,353)

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

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



NEVADA

For the Fiscal Year Ended June 30, 2011

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	
Operating Revenues						
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,542,574
Sales	-	-	-	15,212,354	15,212,354	2,821,902
Assessments	-	403,508,975	-	31,938,407	435,447,382	-
Charges for services	-	-	214,000	18,069,644	18,283,644	41,027,460
Rental income	-	-	-	87,025	87,025	18,464,111
Interest income on loans/notes	17,994,928	-	8,155,786	-	26,150,714	-
Federal government	7,510,500	1,108,637,464	37,312,915	-	1,153,460,879	-
Licenses, fees and permits	-	-	-	6,113,452	6,113,452	-
Fines	-	-	-	1,074,164	1,074,164	-
Other	3,389,560	1,587,329	57	2,709,395	7,686,341	4,226,016
Total operating revenues	28,894,988	1,513,733,768	45,682,758	75,204,441	1,663,515,955	462,082,063
Operating Expenses						
Salaries and benefits	2,496,798	-	394,281	32,463,108	35,354,187	31,374,768
Operating	3,925,634	-	11,957,646	13,508,610	29,391,890	35,108,712
Claims and benefits expense	-	1,752,879,026	-	28,582,556	1,781,461,582	268,210,684
Interest on bonds payable	29,110,900	-	-	-	29,110,900	-
Materials or supplies used	-	-	-	1,979,814	1,979,814	1,141,405
Servicers' fees	107,453	-	-	-	107,453	-
Depreciation	15,996	-	1,145	407,702	424,843	4,736,212
Amortization	-	-	-	-	-	857,853
Bond issuance costs amortization	1,079,967	-	208,080	-	1,288,047	-
Insurance premiums	-	-	-	-	-	114,619,175
Total operating expenses	36,736,748	1,752,879,026	12,561,152	76,941,790	1,879,118,716	456,048,809
Operating income (loss)	(7,841,760)	(239,145,258)	33,121,606	(1,737,349)	(215,602,761)	6,033,254
Nonoperating Revenues (Expenses)						
Interest and investment income	16,548,023	-	1,322,855	21,675,069	39,545,947	(286,677)
Interest expense	-	(14,753,067)	(3,940,486)	(398,897)	(19,092,450)	(72,638)
Bond issuance costs amortization	-	-	-	(3,827)	(3,827)	-
Federal grant revenue	46,934,920	-	-	2,813,482	49,748,402	-
Federal grant expense	(46,726,055)	-	-	-	(46,726,055)	-
Gain (loss) on disposal of assets	-	-	-	4,683	4,683	123,291
Arbitrage rebate	-	-	27,346	-	27,346	-
Total nonoperating revenues (expenses)	16,756,888	(14,753,067)	(2,590,285)	24,090,510	23,504,046	(236,024)
Income (loss) before transfers	8,915,128	(253,898,325)	30,531,321	22,353,161	(192,098,715)	5,797,230
Transfers						
Transfers in	-	-	-	1,128,461	1,128,461	339,148
Transfers out	-	(11,369,769)	(1,642,979)	(12,160,147)	(25,172,895)	(2,100,000)
Change in net assets	8,915,128	(265,268,094)	28,888,342	11,321,475	(216,143,149)	4,036,378
Net assets, July 1	183,759,856	(301,909,340)	251,160,440	31,168,906		54,016,874
Net assets, June 30	\$ 192,674,984	\$ (567,177,434)	\$ 280,048,782	\$ 42,490,381		\$ 58,053,252

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities (167,912)
\$ (216,311,061)

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

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2011

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	
Cash flows from operating activities						
Receipts from customers and users	\$ 10,641,567	\$ 363,406,646	\$ 214,057	\$ 72,393,303	\$ 446,655,573	\$ 99,292,875
Receipts for interfund services provided	19,792	3,008,996	-	3,486,716	6,515,504	284,583,289
Receipts from component units	-	-	-	-	-	81,609,585
Receipts of principal on loans/notes	96,512,558	-	18,984,709	-	115,497,267	5,000
Receipts of interest on loans/notes	18,991,441	-	8,230,632	-	27,222,073	-
Receipts from federal government	7,510,500	1,108,637,464	36,856,563	-	1,153,004,527	-
Payments to suppliers, other governments and beneficiaries	(12,767,719)	(1,756,998,583)	(12,246,507)	(24,920,872)	(1,806,933,681)	(385,825,104)
Payments to employees	(2,337,916)	-	(400,912)	(31,357,225)	(34,096,053)	(31,469,651)
Payments for interfund services	(778,054)	-	(101,345)	(5,243,230)	(6,122,629)	(17,562,376)
Payments to component units	-	-	-	(3,979,953)	(3,979,953)	(158,795)
Purchase of loans and notes	(85,050,100)	-	(41,293,811)	-	(126,343,911)	-
Net cash provided by (used for) operating activities	32,742,069	(281,945,477)	10,243,386	10,378,739	(228,581,283)	30,474,823
Cash flows from noncapital financing activities						
Grant receipts	46,934,920	-	-	2,916,599	49,851,519	-
Advances from federal government	-	334,835,498	-	-	334,835,498	-
Proceeds from sale of bonds	59,000,000	-	19,692,146	-	78,692,146	-
Transfers and advances from other funds	-	-	-	1,128,579	1,128,579	195,530
Payment on refunding bonds	-	-	(9,459,321)	-	(9,459,321)	-
Principal paid on noncapital debt	(132,557,585)	-	(8,115,000)	-	(140,672,585)	-
Interest paid on noncapital debt	(29,851,108)	-	(4,161,412)	-	(34,012,520)	-
Transfers and advances to other funds	-	(9,439,436)	(1,591,896)	(12,874,974)	(23,906,306)	(2,000,000)
Other noncapital financing activities	(47,240,956)	-	-	-	(47,240,956)	(52)
Net cash provided by (used for) noncapital financing activities	(103,714,729)	325,396,062	(3,635,483)	(8,829,796)	209,216,054	(1,804,522)
Cash flows from capital and related financing activities						
Transfers from (reversions to) other funds	-	-	-	-	-	117,282
Proceeds from sale of capital assets	-	-	-	1,982,462	1,982,462	139,794
Purchase of capital assets	-	-	-	(159,005)	(159,005)	(2,035,420)
Principal paid on capital debt	-	-	-	(171,182)	(171,182)	(3,083,056)
Interest paid on capital debt	-	-	-	(392,276)	(392,276)	(72,586)
Payments on construction projects	-	-	-	(57,795)	(57,795)	-
Net cash provided by (used for) capital and related financing activities	-	-	-	1,202,204	1,202,204	(4,933,986)
Cash flows from investing activities						
Proceeds from sale of investments	535,465,464	-	-	155,469,376	690,934,840	-
Purchase of investments	(476,350,006)	-	-	(152,777,309)	(629,127,315)	-
Interest, dividends and gains (losses)	16,824,202	-	1,298,984	3,060,846	21,184,032	(435,830)
Net cash provided by (used for) investing activities	75,939,660	-	1,298,984	5,752,913	82,991,557	(435,830)
Net increase (decrease) in cash	4,967,000	43,450,585	7,906,887	8,504,060	64,828,532	23,300,485
Cash and cash equivalents, July 1	797,091	36,728,044	76,521,995	45,784,486	159,831,616	119,612,718
Cash and cash equivalents, June 30	\$ 5,764,091	\$ 80,178,629	\$ 84,428,882	\$ 54,288,546	\$ 224,660,148	\$ 142,913,203

	Enterprise Funds				Internal Service Funds	
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds		Totals
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	\$ (7,841,760)	\$ (239,145,258)	\$ 33,121,606	\$ (1,737,349)	\$ (215,602,761)	\$ 6,033,254
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	15,996	-	1,145	407,702	424,843	4,736,212
Amortization	-	-	-	-	-	857,853
Bond issuance costs amortization	1,079,967	-	208,080	-	1,288,047	-
Interest on bonds payable	29,110,900	-	-	-	29,110,900	-
Decrease (increase) in loans and notes receivable	12,550,949	-	(22,309,102)	-	(9,758,153)	5,000
Decrease (increase) in accrued interest and receivables	943,473	(38,680,662)	(381,506)	(53,092)	(38,171,787)	3,571,660
Decrease (increase) in inventory, deferred charges, other assets	568,801	-	-	(16,347)	552,454	672,614
Increase (decrease) in accounts payable, accruals, other liabilities	(3,686,257)	(4,119,557)	(396,837)	11,777,825	3,575,174	14,598,230
Total adjustments	40,583,829	(42,800,219)	(22,878,220)	12,116,088	(12,978,522)	24,441,569
Net cash provided by (used for) operating activities	\$ 32,742,069	\$ (281,945,477)	\$ 10,243,386	\$ 10,378,739	\$ (228,581,283)	\$ 30,474,823
Noncash investing, capital and financing activities						
Gain (loss) on disposal of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,918)
Increase (decrease) in fair value of investments	-	-	957,917	18,709,920	19,667,837	(763,892)

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

Statement of Fiduciary Net Assets Fiduciary Funds



NEVADA

June 30, 2011

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 3,671,497	\$ 208	\$ 4,878,047	\$ 78,113,238
Cash in custody of other officials	554,139,041	13,305,789	5,934,575	41,201,383
<i>Investments:</i>				
Investments	918,432	1,131,874,638	8,166,589,253	174,852,822
Fixed income securities	6,893,649,024	-	-	-
Marketable equity securities	10,096,653,319	-	-	-
International securities	5,925,855,977	-	-	-
Mortgage loans	1,761	-	-	-
Real estate	1,234,533,004	-	-	-
Alternative investments	736,871,821	-	-	-
Collateral on loaned securities	3,550,013,175	-	-	-
<i>Receivables:</i>				
Accrued interest and dividends	100,633,269	2,329,413	226	-
Taxes receivable	-	-	-	46,321,990
Trades pending settlement	233,420,394	363	533,546	-
Intergovernmental receivables	86,513,285	-	65,526	3,907
Contributions receivable	-	-	5,197,516	-
Other receivables	-	-	-	96,690
Due from other funds	138,632	82,808	187,114	425,478,179
Due from fiduciary funds	17,201,234	-	-	10,229,493
Due from component unit	366,680	-	-	-
Other assets	2,120,259	-	-	-
Furniture and equipment	36,187,465	-	-	-
Accumulated depreciation	(32,872,252)	-	-	-
Total assets	29,440,016,017	1,147,593,219	8,183,385,803	776,297,702
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	12,063,958	133,145	1,764,473	-
Accrued payroll and related liabilities	-	-	-	1,903
Intergovernmental payables	-	20,004,788	14,623	472,773,663
Redemptions payable	-	-	2,549,112	-
Trades pending settlement	485,689,534	12,153,484	3,227,483	-
Bank overdraft	-	-	244,000	-
Obligations under securities lending	3,619,398,577	-	-	-
Due to other funds	106	27,790	525,186	-
Due to fiduciary funds	-	-	34,248	27,396,479
Deferred revenues	1,537	-	-	-
<i>Other liabilities:</i>				
Deposits	-	-	-	268,596,452
Other liabilities	207,767	-	-	7,529,205
Total liabilities	4,117,361,479	32,319,207	8,359,125	776,297,702
Net Assets				
<i>Held in trust for:</i>				
Employees' pension benefits	25,317,534,953	-	-	-
OPEB benefits	5,119,585	-	-	-
Pool participants	-	1,115,274,012	-	-
Individuals	-	-	8,175,026,678	-
Total net assets	\$ 25,322,654,538	\$ 1,115,274,012	\$ 8,175,026,678	\$ -

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

Statement of Changes in Fiduciary Net Assets Fiduciary Funds



NEVADA

For the Fiscal Year Ended June 30, 2011

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
<i>Contributions:</i>			
Employer	\$ 1,281,701,672	\$ -	\$ -
Plan members	97,059,498	-	-
Participants	-	-	2,264,524,192
Repayment and purchase of service	31,655,929	-	-
Total contributions	1,410,417,099	-	2,264,524,192
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	3,696,974,959	5,067,698	1,079,083,053
Interest, dividends	652,400,010	13,704,057	187,568,555
Net securities lending income	12,699,994	-	-
Other	77,269,719	-	-
	4,439,344,682	18,771,755	1,266,651,608
Less investment expense:			
Other	(25,834,578)	(13,524)	-
Net investment income	4,413,510,104	18,758,231	1,266,651,608
<i>Other:</i>			
Investment from local governments	-	955,161,137	-
Reinvestment from interest income	-	1,166,663	-
Other	2,275,729	1,236	-
Total other	2,275,729	956,329,036	-
Total additions	5,826,202,932	975,087,267	3,531,175,800
Deductions			
Principal redeemed	-	823,422,087	1,211,314,202
Benefit payments	1,450,970,004	-	16,923,413
Refunds	24,759,478	-	-
Contribution distributions	1,488,115	-	-
Dividends to investors	-	1,256,800	-
Administrative expense	10,738,800	613,070	20,618,753
Total deductions	1,487,956,397	825,291,957	1,248,856,368
Change in net assets	4,338,246,535	149,795,310	2,282,319,432
Net assets, July 1	20,984,408,003	965,478,702	5,892,707,246
Net assets, June 30	\$ 25,322,654,538	\$ 1,115,274,012	\$ 8,175,026,678

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



Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The accompanying financial statements of the State of Nevada (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The State is financially accountable for those entities in which the State appoints a voting majority of an organization's governing authority, and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State. For those entities in which the State does not appoint a voting majority of the governing authority, GASB Statement No. 14 requires inclusion in the reporting entity if they are fiscally dependent on the State or if it would be misleading to exclude the entity.

Blended Component Units: The following blended component units are entities that are legally separate from the State. However, since the State Legislature retains certain significant governing powers over these entities, they are reported as if they are part of the primary government under the provisions of GASB Statement No. 14.

The *Public Employees' Retirement System (PERS)*, the *Legislators' Retirement System (LRS)* and the *Judicial Retirement System (JRS)* are administered by a seven-member board appointed by the Governor. PERS is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system established by the Nevada Legislature in 1947 to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. LRS is the administrator of a single-employer public employees' defined benefit retirement system established in 1967 by the Nevada Legislature to provide a reasonable base income to Legislators at retirement. JRS is the administrator of an agent multiple-employer public employees' defined benefit retirement system established by the Nevada Legislature to provide a reasonable base income to justices of the Supreme Court, district judges, municipal court judges, and justices of the peace at retirement.

The *Retirement Benefits Investment Fund (RBIF)* was created by NRS 355.220 (2) for the sole purpose of providing an investment vehicle for monies belonging to either the State or local government other post employment benefit trust funds. RBIF is administered by the Retirement Benefits Investment Board, which consists of the same members as the Public Employees' Retirement Board.

Nevada Real Property Corporation is a legally separate entity whose board of directors are exclusively State employees or officials. It was incorporated to finance certain construction projects. Such projects include office buildings, a transitional residential facility and a warehouse, all financed by the issuance of certificates of participation. Upon completion of construction, the Corporation leases the facilities to the State. The State reports these financial transactions as part of the primary government using the blended method.

Discretely Presented Component Units: Per the provisions of GASB Statement No. 14, a component unit should be included in the reporting entity financial statements using the discrete presentation method if the component unit's governing body is not substantively the same as the governing body of the primary government, and the component unit does not provide services entirely or almost entirely to the primary government. The following discretely presented component units are reported in separate columns in the basic financial statements to emphasize they are legally separate from the State.

The *Nevada System of Higher Education (NSHE)* is governed by a Board of Regents elected by the voters. However, NSHE is fiscally dependent upon the State because of appropriations from the State Legislature, the Legislative approval of the budget for those appropriations, the levying of taxes, if necessary, and the issuance of debt to support NSHE. Because NSHE has a separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

The *Colorado River Commission (CRC)* is a legally separate entity responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three are appointed by the board of directors of the Southern Nevada Water Authority. Bonds issued by the CRC are backed by the full faith and credit of the State of Nevada, which creates the potential for a financial burden to the State. CRC provides services to citizens through the distribution and sale of electric power. As CRC has a separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

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

- *Public Employees' Retirement System*
Carson City, NV
- *Retirement Benefits Investment Fund*
Carson City, NV
- *Legislators' Retirement System*
Carson City, NV
- *Judicial Retirement System*
Carson City, NV
- *Nevada System of Higher Education*
Reno, NV
- *Colorado River Commission*
Las Vegas, NV



(Note 1 Continued)

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

B. Government-Wide and Fund Financial Statements
Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund receivables and payables between governmental funds and enterprise funds are reported as internal balances in the government-wide statement of net assets. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Additional disclosure related to the amount of net assets restricted by enabling legislation is provided in Note 11.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Certain centralized costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues. In general, internal activity has been eliminated from the Statement of Activities. Overhead costs have been removed to minimize the double counting of internal activities, but interfund services provided and used have been retained, as their elimination would distort the measurement of the cost of individual functional activities.

Internal activities of a reimbursement type nature reduce the expenses of the reimbursed programs.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements with non-major funds being combined into a single column.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting: The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance.

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

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual; that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter. The State considers revenues as available if they are collected within 60 days after year-end. Those revenues susceptible to accrual are gaming revenues, sales taxes, other taxes as described in Note 12, interest revenue and charges for services. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

Expenditures generally are recorded when the related fund liability is incurred. However, expenditures for principal and interest on long-term debt are recorded as fund liabilities only when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Inventories and prepaids are reported using the consumption method.



(Note 1 Continued)

The State reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the State before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

Restricted revenues are those monies that are legally segregated for specific purposes. For example, a portion of a particular property tax levy may be legally pledged to support debt service. The policy of the State is to expend restricted revenues first in a fund, followed by unrestricted revenues.

Financial Statement Presentation: The State reports the following major governmental funds:

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

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

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

The *Consolidated Bond Interest and Redemption Fund* accumulates monies for the payment of leases and of principal and interest on general obligation bonds of the State.

The State reports the following major enterprise funds:

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

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

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

Additionally, the State reports the following fund types:

Proprietary Fund Types:

Enterprise Funds - report the activities for which fees are charged to external users for goods or services such as workers’ compensation, insurance, prison industry and higher education tuition trust.

Internal Service Funds - provide goods or services primarily

to other agencies or funds of the State rather than to the general public. These goods and services include accounting, communications, information technology, motor pool, personnel, printing, property management, purchasing and risk management. In the government-wide statements, internal service funds are included with governmental activities.

Fiduciary Fund Types:

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

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

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

Agency Funds - report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples of funds in this category include motor vehicle, veterans’ custodial and child welfare.

D. Assets, Liabilities and Net Assets/Fund Balance

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

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

Investments - Investments are stated at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. Short-term investments are generally reported at cost, which approximates fair value, except for the short-term investments of the Nevada College Savings Plan that are valued at amortized cost, which approximates fair value. Securities, traded on a national or international exchange, are valued at the last reported sale price of the day. International securities prices incorporate end-of-day exchange rates. The fair value of real estate investments is based on estimated



(Note 1 Continued)

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

The Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement Benefits Investment Fund are investment trust funds as defined in Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The investments of the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust are subject to the general limitation of section 355.170 of Nevada Revised Statutes. The investments of the Retirement Benefits Investment Fund are governed by the prudent person standard, as set forth by NRS 286.682. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The fair value of the position in the pool is the same as the value of the pool shares. Wells Fargo Trust Operations is the custodian and transfer agent for both the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust funds. The Bank of New York Mellon is the custodian and transfer agent for the Retirement Benefits Investment Fund.

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

Investments are discussed further in Note 3.

Receivables - Receivables represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portions considered "available" (i.e., received by the State within approximately 60 days after year-end) are recorded as revenue; the remainder is recorded as deferred revenue. Receivables in proprietary fund types have arisen in the ordinary course of business. All receivables are shown net of an allowance for uncollectible accounts.

Property taxes are levied July 1 on property values assessed by the prior January 1. Property tax billings are payable in quarterly installments on the third Monday in August and the first Monday in October, January and March, after which time the bill is delinquent.

Significant receivable balances not expected to be collected within one year are presented in Note 4.

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

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

2. Operating appropriations and subsidies are accounted for as transfers in the funds involved.

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

Inventories - Inventories are stated at cost on the first-in, first-out basis. Inventory in the State Highway Fund, a special revenue fund, consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Inventory items in the funds are offset by nonspendable fund balance to indicate that they are unavailable for appropriation.

Prepaid Expenses - Prepaid expenses reflect payments for costs applicable to future accounting periods and are recorded in both government-wide and fund financial statements. Prepaid items in the funds are offset by nonspendable fund balance to indicate that they are unavailable for appropriation.

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

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

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

In the Nevada System of Higher Education, capital assets are defined as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over estimated useful lives of 40 years for



(Note 1 Continued)

buildings, 15 years for land improvements and 3 to 18 years for library books, machinery and equipment.

Additional disclosure related to capital assets is provided in Note 7.

Compensated Absences - Compensated absences are accounted for in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report compensated absences expected to be liquidated with expendable available financial resources as an expenditure and a fund liability in the fund financial statements. On the Statement of Net Assets, the total accrued compensated absences for both proprietary and governmental fund types is reported.

Deferred Revenues - Deferred revenues in the General Fund consist primarily of refundable gaming taxes and fees and nonexchange transactions for which the revenue is measurable but not available. Deferred revenue in the debt service funds consists primarily of amounts due from other governments to retire long-term debt.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 8.

Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

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

- Nonspendable fund balance includes items that cannot be spent because they are either not in spendable form (such as inventories, prepaid amounts and in the General Fund

long-term portion of loans/notes receivables) or legally or contractually required to be maintained intact (such as the principal of a permanent fund).

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Nevada Legislature, through legislation passed into law.
- Assigned fund balance includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Funds are created by the Legislature and money is authorized to be transferred to the fund for a particular purpose. Balances in the Legislatively created funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved.

The State's policy is to spend restricted amounts first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the assumed order of spending is first committed, assigned and then unassigned.

Note 11 provides a disaggregation of governmental fund balances, nonspendable, restricted, committed, and unassigned.

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

Stabilization Arrangement - NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency. Expenditures may occur only if actual revenues for the biennium fall short by 5%



(Note 1 Continued)

or more from anticipated revenues, or if the Legislature and Governor declare that a fiscal emergency exists. The balance in the Stabilization Account committed for fiscal emergency at June 30, 2011 is \$39,237,222.

E. Intergovernmental Assistance Programs

The State participates in various federal award programs. Federal awards are received by the State in both cash and noncash forms. Federal reimbursement type grants are recorded as revenues when the related expenditures

are recognized (as they become susceptible to accrual [measureable and available] under the modified accrual basis of accounting.) The State considers revenues as available if they are collected within 60 days after year-end. Certain grants have matching requirements in which the State must contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Note 2 - Budgetary and Legal Compliance

Budgetary Process and Control

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

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

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. After obtaining the approval of the Governor, or his designee, the Budget Director, Legislative Interim Finance Committee (LIFC) approval is required of those revisions in excess of \$20,000 which have the effect, when taken into consideration with all other changes during the fiscal year, of increasing or decreasing any legislatively approved expenditure level by 10% or \$50,000, whichever is less. Revisions not exceeding this threshold require only budget director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Account, in the General Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$20,413,014 were made in the 2011 fiscal year. Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted

in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period.

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

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

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

**Note 3 - Deposits and Investments**

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

A. Deposits

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2011, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled \$111,557,432, of which \$4,628,987 was uncollateralized and uninsured.

Component Units - Cash and cash equivalents of the Nevada System of Higher Education (NSHE) are stated at cost, which approximates market, and consist of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2011 NSHE's deposits in money market funds totaled \$172,313,000 and cash in bank was \$15,551,000. Of these balances, \$250,000 are covered by the Federal Depository Insurance Corporation (FDIC); the remaining deposits are uncollateralized and uninsured.

B. Investments

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

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

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

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

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

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less, effective May 2011. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the Barclays Aggregate Index benchmark. If securities are purchased outside the Barclays Aggregate Index, they must be of investment grade rating by at least two of the following: Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's) except those issued or guaranteed by the U.S. Government or its agencies. The following table provides information about the interest rate risks associated with the State's investments as of June 30, 2011 (expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

(Note 3 Continued)

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 330,785	\$ 205,857	\$ 115,124	\$ 2,978	\$ 6,826
Negotiable certificate of deposit	29,999	29,999	-	-	-
U. S. agencies	7,214,961	1,404,434	2,050,891	663,746	3,095,890
Mutual funds	14,205	14,205	-	-	-
Asset backed corporate securities	304,323	147,713	108,516	20,191	27,903
Corporate bonds and notes	1,797,097	37,516	781,608	534,736	443,237
Commercial paper	52,678	52,678	-	-	-
Fixed income securities	20,160	20,160	-	-	-
International investments	1,602,096	28,558	791,363	378,303	403,872
Municipal bonds	540,373	289	15,579	15,772	508,733
Investment agreements	13,205	-	-	608	12,597
Other short-term investments	670,615	670,615	-	-	-
Collateralized mortgage obligations	534,827	238,404	12,182	64,498	219,743
Total	\$ 13,125,324	\$ 2,850,428	\$ 3,875,263	\$ 1,680,832	\$ 4,718,801

The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to interest rate risk for the investments. The mutual funds held by Vanguard, USAA, Upromise, and Putnam have various maturities from 17 days to 9.25 years and are not included in the table above.

Component Units – The Nevada System of Higher Education’s (NSHE) policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and, therefore, currently has no policies with regard to interest rate risk for these investments. Investments having interest rate risk are principally invested in mutual funds and private commingled funds. The following table provides the segmented time distribution for these investments at June 30, 2011 (expressed in thousands):

Less than 1 year	\$ 554,348
1 to 5 years	24,474
6 to 10 years	14,618
More than 10 years	23,670
Total	\$ 617,110

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

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - NRS 355.140, the State Treasurer’s investment policy, and investment policies of the pension and other employee benefit trust and investment trust funds all address credit risk. A summary of the policies is presented as follows:

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

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

The State’s investments as of June 30, 2011 were rated by Standard & Poor’s and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor’s rating scale (at fair value, expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

(Note 3 Continued)

	Quality Rating						Unrated
	AAA	AA	A	BBB	BB	B	
Negotiable certificate of deposit	\$ -	\$ -	\$ 29,999	\$ -	\$ -	\$ -	\$ -
U.S. agencies	676,072	900	1,113,133	-	-	-	2,998,003
Mutual funds	13,962	-	-	-	-	-	7,964,385
Asset backed corporate securities	144,881	4,577	150,337	370	-	-	2,700
Corporate bonds and notes	62,742	266,484	890,278	523,794	28,416	64	9,800
Commerical paper	-	-	52,678	-	-	-	-
Fixed income securities	-	-	-	-	-	-	20,042
International investments	160,990	91,390	127,231	111,822	-	-	1,110,763
Municipal bonds	-	540,373	-	-	-	-	-
Investment agreements	803	1,480	1,948	7,909	758	-	306
Other short-term investments	145,595	-	-	-	-	-	679,422
Collateralized mortgage obligations	140,519	22,981	256,527	28,315	1,200	-	24,700
Total	\$ 1,345,564	\$ 928,185	\$ 2,622,131	\$ 672,210	\$ 30,374	\$ 64	\$ 12,810,121

As of June 30, 2011, the State of Nevada held debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the State's debt securities will not be known until the bankruptcy proceedings are completed. However, debt obligations of Lehman Brothers Holdings Inc. held by the State were marked to market at June 30, 2011.

Component Unit - The NSHE's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and therefore, it currently has no policies with regard to credit risk for these investments. The credit risk profile for NSHE operating and endowment investments at June 30, 2011 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	\$ 279,452
Partnerships	171,493
Equities	4,849
Endowment cash/cash equivalents	2,031
Trust(s)	5,880
Private commingled funds	153,405
Total	\$ 617,110

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio, with the exception of the Housing Division and the Investment Trust Funds. At June 30, 2011, the following investments exceeded 5% of the Primary Government and

Investment Trust Funds' total investments (expressed in thousands):

	Fair Value	Percentage
Primary government		
Federal Farm Credit Bank	\$ 587,399	16.44%
Federal Home Loan Bank	218,469	6.11%
Federal National Mortgage Assoc	407,314	11.40%
Federal Home Loan Mortgage Corp	236,153	6.61%
So Nevada Water Authority	225,855	6.32%
Investment Trust Funds		
Federal Farm Credit Bank	129,005	10.96%
Federal National Mortgage Assoc	179,287	15.23%
Federal Home Loan Bank	158,538	13.46%
Federal Home Loan Mortgage Corp	172,402	14.64%

At June 30, 2011, the following investments exceeded 5% of the Higher Education Tuition Trust's total investments (expressed in thousands):

	Fair Value	Percentage
Federal National Mortgage Association	\$ 18,757	14.86%

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Housing Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative investment providers. As of June 30, 2011, the Housing Division's investments in Fannie Mae and Ginnie Mae are 16.15% and 36.65% respectively, of the Housing Division's total investments. The Fannie Mae and Ginnie Mae investments are in mortgage backed securities matched to the interest rate and maturity of the underlying bonds. Because such investments are matched to concomitant liabilities, the Housing Division is less concerned about a concentration risk on these investments.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

(Note 3 Continued)

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

Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds - The primary government does not have a policy regarding foreign currency risk; however, the State Treasurer's office does not have any deposits or investments in foreign currency. The PERS, LRS, JRS, and RBIF do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. The following table summarizes the pension and other employee benefit trust funds and investment trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2011 (expressed in thousands):

Currency by Investment and Fair Value					
	Fixed Income	Equity	Derivatives	Cash	Total
Australian Dollar	\$ 13,995	\$ 287,170	\$ 310	\$ 428	\$ 301,903
British Pound Sterling	90,548	811,687	(1,091)	2,131	903,275
Canadian Dollar	35,179	8,800	(905)	1,026	44,100
Danish Krone	9,071	32,854	207	1,117	43,249
Euro	524,218	1,306,036	3,430	6,759	1,840,443
Hong Kong Dollar	-	99,957	-	504	100,461
Israeli Shekel	-	21,267	-	302	21,569
Japanese Yen	545,175	697,124	(4,453)	7,773	1,245,619
Malaysian Ringgit	3,031	-	-	302	3,333
Mexican New Peso	10,758	-	(505)	1,041	11,294
New Zealand Dollar	-	3,430	-	2	3,432
Norwegian Krone	3,811	54,621	1	622	59,055
Polish Zloty	10,062	-	106	328	10,496
Singapore Dollar	4,224	68,995	103	1,019	74,341
Swedish Krona	8,554	111,460	3	819	120,836
Swiss Franc	3,243	336,795	(506)	3,216	342,748
Total	\$ 1,261,869	\$ 3,840,196	\$ (3,300)	\$ 27,389	\$ 5,126,154

Private Purpose Trust - The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to foreign currency risk for the investments. The Plan consists of Vanguard College Savings Plan, USAA College Savings Plan, Uprromise College Fund Plan, and Putnam for America Plan which all state that there are certain inherent risks involved when investing in international securities through mutual funds that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments, natural disasters and possible prevention or delay of currency exchange due to foreign governmental laws or restrictions. The investments held in Putnam for America Plan consist of the portfolios managed and sponsored by Putnam Investment Management, Putnam Mutual Funds, and non-Putnam Mutual Funds. Both mutual funds pose no foreign currency risk. The following table summarizes foreign currency risk for the above portfolio in U.S. dollars as of June 30, 2011 (expressed in thousands):

	Currency (Fair Value)
Japanese Yen	\$ 5
Taiwan Dollar	15
Total	\$ 20

Component Unit - The NSHE does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has \$91,599,000 in mutual

funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2011.

C. Securities Lending

Primary Government and Investment Trust Funds - NRS 355.135 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of market value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2011 (excluding PERS).

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



(Note 3 Continued)

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

PERS may only loan up to 33 1/3% of its total portfolio. Either PERS or the borrower can terminate all securities loans on demand. The securities lending agent is authorized to invest collateral only in high quality, short-term investment vehicles in accordance with PERS' Investment Objectives and Policies. The maturities of the investments made with cash collateral generally match the maturities of the securities loaned.

The fair value of underlying securities on loan at June 30, 2011 is \$3,515,968,584. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2011, PERS has collateral consisting of cash and securities issued by the U.S. Government, its agencies or instrumentalities, in

excess of the market value of investments held by brokers/dealers under a securities lending agreement.

D. Derivatives

Primary Government – The Office of the State Treasurer's investment policies do not contain any specific language regarding derivatives other than prohibiting certain types of derivatives such as option contracts, futures contracts, and swaps in the General Portfolios and the Local Government Investment Pool effective May 2011 and September 2011 respectively. The primary government has no exposure to derivatives as of June 30, 2011 with the exception of Housing Division, a major enterprise fund:

Objective - The Housing Division has entered into six pay-fixed, receive-variable interest rate swaps in order to provide lower cost fixed rate financing for its single-family loan production needs. The Nevada Housing Division policy requires hedging of all variable rate debt issuances through synthetic fixed rate structures.

Terms, Fair Values and Credit Ratings - The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2011 were as follows (expressed in thousands):

Associated Single-Family Bond Issue	Current Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Counter-Party Rating	Fair Value
2006 Issue A	\$ 4,500	09/23/08	4.720%	68% of USD-LIBOR-BBA	04/01/37	Aaa	\$ (458)
2006 Issue B	4,500	09/23/08	4.230%	68% of USD-LIBOR-BBA	10/01/41	Aaa	(400)
2007 Issue A	4,500	09/23/08	4.246%	68% of USD-LIBOR-BBA	04/01/42	Aaa	(448)
2007 Issue B	8,000	10/09/07	4.340%	68% of USD-LIBOR-BBA	04/01/42	Aaa	(839)
2008 Issue A	14,700	04/03/08	3.736%	68% of USD-LIBOR-BBA	10/01/39	Aaa	(1,033)
2008 Issue B	7,500	09/25/08	3.670%	68% of USD-LIBOR-BBA	04/01/39	Aaa	(522)
Total Single-Family	\$ 43,700						\$ (3,700)

The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under rollover risk, the Housing Division's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

Credit Risk – All of the Housing Division's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Housing Division is exposed to credit risk. Credit risk is the risk that a swap counterparty fails to perform according to contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps as detailed above. To mitigate this credit risk, the Housing Division

maintains strict credit standards for swap counterparties, and requires the counterparties to be rated in the AA or higher category by either Moody's or Standard and Poor's at the time the contract is entered into. The Housing Division has executed its swap transactions with two counterparties. The counterparties are rated Aaa/A1. The swap agreements contain a collateral agreement with the counterparty, and require full collateralization of the fair value of the swap should the counterparty's credit rating fall below the requirement. Eligible collateral on the swaps can include cash or U.S. government securities held by a third-party custodian.

Basis Risk – The Housing Division is exposed to basis risk when the relationship between LIBOR and BMA converges, changing the synthetic rate on the bonds. When

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

(Note 3 Continued)

exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated. As of June 30, 2011, the BMA rate was .09% and 68% of the LIBOR was .12617%.

Termination Risk – The Housing Division’s swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Housing Division or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. The Housing Division views the likelihood of such events to be remote at this time. If at the termination a swap has a negative value, the Housing Division would be liable to the counterparty for a payment equal to the fair value of such swap.

Rollover Risk – The Housing Division is exposed to rollover risk on swaps that mature or may be terminated at the counterparty’s option prior to the maturity of the associated debt. As of June 30, 2011, the Housing Division is not exposed to any rollover risk.

Swap Payments and Associated Debt - Using interest rates as of June 30, 2011, debt service requirements of the Housing Division’s outstanding variable-rate debt and net swap payments are as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Swaps, Net	Total
2012	\$ -	\$ 39	\$ 1,710	\$ 1,749
2013	-	39	1,710	1,749
2014	-	39	1,710	1,749
2015	-	39	1,710	1,749
2016	-	40	1,711	1,751
2017-2021	-	197	8,552	8,749
2022-2026	-	197	8,552	8,749
2027-2031	4,000	190	8,280	12,470
2032-2036	17,225	141	6,237	23,603
2037-2041	21,030	35	1,541	22,606
2042-2046	1,445	1	35	1,481
Total	\$ 43,700	\$ 957	\$ 41,748	\$ 86,405

As rates vary, variable-rate interest rate payments on the bonds and net sweep payments will change.

Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds – The PERS, LRS, JRS, and RBIF have exposure to derivatives as of June 30, 2011. Furthermore, the State Retirees’ Health and Welfare Benefits Fund, an other employee benefit trust fund, has investments held with the RBIF. Foreign exchange forward contracts are periodically employed by PERS, LRS, JRS, and RBIF to hedge currency risk of investments in foreign currencies. No other derivatives are permitted within these portfolios. Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized typically have no greater market risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolios. Counterparty risk, the risk that the “other party” to a contract will default, is managed by careful screening of counterparties. Derivative securities are priced and accounted for at fair value. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets. The PERS, LRS, JRS, and RBIF’s derivative transactions for fiscal year 2011 are summarized in the following table (expressed in thousands):

	Foreign Exchange Contracts				Total
	Purchases	Realized Gain / Loss	Sells	Realized Gain / Loss	Realized Gain / Loss
Australian Dollar	\$ 15,729	\$ 59	\$ (121,624)	\$ (157)	\$ (98)
British Pound Sterling	94,865	(54)	(241,455)	87	33
Canadian Dollar	10,654	46	(13,671)	(58)	(12)
Danish Krone	6,105	64	(16,746)	(7)	57
Euro	257,651	62	(517,084)	(1,940)	(1,878)
Hong Kong Dollar	29,533	24	(34,166)	(2)	22
Israeli Shekel	414	1	(9,495)	(35)	(34)
Japanese Yen	107,847	(348)	(336,682)	(611)	(959)
Malaysian Ringgit	33	-	-	-	-
Mexican New Peso	11,786	52	(571)	3	55
New Zealand Dollar	58	-	(1,172)	(4)	(4)
Norwegian Krone	21,806	159	(10,163)	(72)	87
Polish Zloty	1,077	14	(2,962)	46	60
Singapore Dollar	16,851	15	(18,399)	4	19
Swedish Krona	3,984	16	(43,813)	(249)	(233)
Swiss Franc	35,914	114	(82,415)	(313)	(199)
Total	\$ 614,307	\$ 224	\$ (1,450,418)	\$ (3,308)	\$ (3,084)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

(Note 3 Continued)

The PERS, LRS, JRS, and RBIF's derivative pending transactions as of June 30, 2011, are summarized in the following table (expressed in thousands):

	Foreign Exchange Contracts				Total
	Purchases	Unrealized Gain / Loss	Sells	Unrealized Gain / Loss	Unrealized Gain / Loss
Australian Dollar	\$ 328	\$ -	\$ -	\$ -	\$ -
British Pound Sterling	16	-	(1,131)	-	-
Canadian Dollar	-	-	(963)	-	-
Danish Krone	204	-	-	-	-
Euro	3,821	-	(363)	(1)	(1)
Japanese Yen	156	-	(4,657)	24	24
Mexican New Peso	-	-	(515)	-	-
Norwegian Krone	11	-	-	-	-
Polish Zloty	144	-	-	-	-
Singapore Dollar	91	-	-	-	-
Swedish Krona	39	-	-	-	-
Swiss Franc	-	-	(489)	-	-
Total	\$ 4,810	\$ -	\$ (8,118)	\$ 23	\$ 23

Management of PERS, LRS, JRS, and RBIF believes that it is unlikely that any of the derivatives in the portfolios could have a material adverse effect on their financial condition. In addition, the credit, market, or legal risks are not above and beyond those risks apparent by the nature of the type of investment for any of the securities contained within the portfolios.

Private Purpose Trust Fund – Certain investments in the Nevada College Savings Plan are managed by Putnam Investment Management through Putnam sponsored portfolios (the Portfolios) and mutual funds, and non-Putnam managed mutual funds. The Portfolios use four types of derivatives: futures contracts, forward currency contracts, total return swap contracts, and credit default contracts. Currently, there is no written investment policy with regard to derivatives for the Portfolios. All four types of derivatives are considered investments. The fair value of all derivative financial instruments is reported in the Statement of Fiduciary Net Assets, and the net increase (decrease) in fair value is reported as investment income on the Statement of Changes in Fiduciary Net Assets. The Portfolios had the following investment derivative instruments as of June 30, 2011 (expressed in thousands):

	Contracts/ Notional Amounts	Fair Value
Total Return Swap	\$ 2	\$ 68
Credit Default	14,710	(37)
Forward Currency	2,010,884	(115)
Futures	-	148
Total	\$ 2,025,596	\$ 64

There are no changes in fair value from derivatives as this is the first reporting period and all the derivatives in the Portfolios were purchased during fiscal year 2011.

The Portfolios use futures contracts to hedge interest rate risk, gain exposure to interest rates, hedge prepayment risk, equitize

cash, and manage exposure to market risk. The potential risk is that the change in value of futures contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly, or if the counterparty to the contract is unable to perform. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The Portfolios and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin."

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

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



(Note 3 Continued)

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

The Portfolios entered into credit default contracts to hedge credit risk and market risk, and gain exposure on individual names and/or baskets of securities. In a credit default contract, the protection buyer typically makes an up-front payment and periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. The credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. In addition to bearing the risk that the credit event will occur, the Portfolios could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that it may be unable to close out its position

at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the Portfolios may enter into offsetting credit default contracts which could mitigate their risk of loss. The maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the Portfolios and the counterparty. Where the Portfolios are a seller of protection, the maximum potential amount of future payments it may be required to make is equal to the notional amount of the relevant credit default contract.

Derivative instruments are not individually rated by a ratings agency at period end. The maximum amount of loss due to credit risk is defined as the fair value of the derivative. As of June 30, 2011, over the counter derivative counterparties had ratings that were either greater than or equivalent to long-term ratings of A1/A+ and short-term ratings P-1 /A-1 except for futures contracts. With futures, there is minimal counterparty credit risk to the Portfolios since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. The extent of diversification among counterparties is presented below (at fair value, expressed in thousands):

Counterparty	Total Return Swap	Credit Default	Futures	Forward Currency	Total
Bank of America, N.A.	\$ -	\$ -	\$ -	\$ 8	\$ 8
Barclays Bank PLC	-	-	-	(8)	(8)
Citibank, N.A.	68	9	-	(31)	46
Credit Suisse AG	-	(9)	-	24	15
Deutsche Bank AG	-	-	-	(4)	(4)
HSBC Bank USA, National Association	-	-	-	(16)	(16)
JPMorgan Chase Bank, N.A.	-	(37)	-	(7)	(44)
Royal Bank of Scotland PLC (The)	-	-	-	(27)	(27)
State Street Bank and Trust Co.	-	-	-	(36)	(36)
UBS AG	-	-	-	(29)	(29)
Westpac Banking Corp.	-	-	-	11	11
Subtotal	68	(37)	-	(115)	(84)
S&P 500	-	-	140	-	140
U.S. Treasury	-	-	8	-	8
Total	\$ 68	\$ (37)	\$ 148	\$ (115)	\$ 64

All four types of investment derivative instruments are subject to interest rate risk. Prices of longer term maturities generally change more in response to interest rate changes than the prices of shorter term maturities. The following table provides information about the interest rate risks associated with the types of investment derivative instruments as of June 30, 2011 (expressed in thousands):

	Maturities in Years		
	Less than 1	1-5	Total
Total Return Swap	\$ 68	\$ -	\$ 68
Credit Default	-	(37)	(37)
Forward Currency	(115)	-	(115)
Futures	148	-	148
Total	\$ 101	\$ (37)	\$ 64



(Note 3 Continued)

The forward currency contracts are subject to foreign currency risk (expressed in thousands):

	<u>Fair value</u>
Australian Dollar	\$ 55
Brazilian Real	7
British Pound	(18)
Canadian Dollar	(41)
Chilean Peso	7
Euro	(136)
Hungarian Forint	1
Indian Rupee	(5)
Japanese Yen	(8)
Mexican Peso	3
New Zealand Dollar	(6)
Norwegian Krone	(8)
South African Rand	(7)
South Korean Won	29
Swedish Krona	22
Swiss Franc	(10)
Total	<u>\$ (115)</u>

Note 4 - Receivables

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

	<u>Governmental Funds</u>	<u>Nevada System of Higher Education</u>
As shown on financial statements:		
Intergovernmental receivables	\$ 417,398	\$ 38,312
Notes/loans receivable	11,384	12,595
Due from Component Unit	5,553	-
Total	<u>\$ 434,335</u>	<u>\$ 50,907</u>
Classified:		
Current portion	<u>\$ 290,537</u>	<u>\$ 40,326</u>
Noncurrent portion:		
Intergovernmental receivables	129,178	-
Notes/loans receivable	9,695	10,581
Due from Component Unit	4,925	-
Total noncurrent portion	<u>143,798</u>	<u>10,581</u>
Total	<u>\$ 434,335</u>	<u>\$ 50,907</u>

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at \$30.6 million, and uncollectible accounts receivable are estimated at \$79.2 million. The proprietary funds have \$50.9 million in uncollectible accounts receivable of which \$12.3 million are from uninsured employers' fines and penalties, and \$37.1 million are from unemployment contributions and benefit overpayments.



Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2011, follows (expressed in thousands):

<u>Advances To</u>	<u>Advances From</u>		
	<u>Major Funds</u>		
	<u>General</u>	<u>Consolidated Bond Interest and Redemption</u>	<u>Total</u>
Nonmajor enterprise	\$ 5,310	\$ -	\$ 5,310
Internal service	1,541	1,356	2,897
Total other funds	\$ 6,851	\$ 1,356	\$ 8,207

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

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

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

A summary of due from and due to other funds and component units at June 30, 2011, is shown below (expressed in thousands):

<u>Due From</u>	<u>Due To</u>					
	<u>Major Governmental Funds</u>					
	<u>General</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>	<u>Cons Bond Interest and Redemption</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Major Governmental Funds:						
General	\$ -	\$ 3,394	\$ 5	\$ 92	\$ 21,056	\$ 24,547
State Highway	2,470	-	-	-	10	2,480
Municipal Bond Bank	7	-	-	270	-	277
Consolidated Bond Interest and Redemption	13	-	-	-	-	13
Nonmajor governmental	25,880	4,001	-	9,275	21,812	60,968
Total Governmental	28,370	7,395	5	9,637	42,878	88,285
Major Enterprise Funds:						
Housing Division	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	2,147	2,147
Water Projects Loans	420	-	-	-	-	420
Nonmajor enterprise	2,331	5	-	-	-	2,336
Total Enterprise	2,751	5	-	-	2,147	4,903
Internal service	447	138	-	151	101	837
Total other funds	\$ 31,568	\$ 7,538	\$ 5	\$ 9,788	\$ 45,126	\$ 94,025
Fiduciary	\$ 144	\$ -	\$ -	\$ -	\$ 402	\$ 546
Component Units:						
Nevada System of Higher Education	\$ 193	\$ -	\$ -	\$ 5,360	\$ -	\$ 5,553
Colorado River Commission	-	-	-	-	-	-
Total Component Units	\$ 193	\$ -	\$ -	\$ 5,360	\$ -	\$ 5,553

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

(Note 5 Continued)

	Due To						
	Major Enterprise Funds			Total Enterprise	Internal Service	Total Other Funds	Fiduciary
	Housing Division	Water Projects Loans	Nonmajor Enterprise				
Due From							
Major Governmental Funds:							
General	\$ 8	\$ 275	\$ 2,074	\$ 2,357	\$ 5,327	\$ 32,231	\$ 425,211
State Highway	1	-	6	7	1,175	3,662	461
Municipal Bond Bank	-	-	-	-	-	277	-
Consolidated Bond Interest and Redemption	-	-	-	-	-	13	-
Nonmajor governmental	-	-	8	8	159	61,135	6
Total Governmental	9	275	2,088	2,372	6,661	97,318	425,678
Major Enterprise Funds:							
Housing Division	-	-	1	1	15	16	-
Unemployment Comp	-	-	-	-	-	2,147	-
Water Projects Loans	-	-	-	-	2	422	83
Nonmajor enterprise	-	-	-	-	37	2,373	118
Total Enterprise	-	-	1	1	54	4,958	201
Internal Service	-	-	-	-	190	1,027	8
Total other funds	\$ 9	\$ 275	\$ 2,089	\$ 2,373	\$ 6,905	\$ 103,303	\$ 425,887
Fiduciary	\$ -	\$ -	\$ 7	\$ 7	\$ -	\$ 553	\$ 27,431
Component Units:							
Nevada System of Higher Education	\$ -	\$ -	\$ -	\$ -	\$ 1,352	\$ 6,905	\$ 367
Colorado River Commission	-	-	-	-	24	24	-
Total Component Units	\$ -	\$ -	\$ -	\$ -	\$ 1,376	\$ 6,929	\$ 367

	Due To		
	Component Units		
	Nevada System of Higher Education	Colorado River Commission	Total Component Units
Due From			
Primary Government:			
Governmental Activities for long term receivable	\$ 3,471	\$ -	\$ 3,471
Major Governmental Funds:			
General	7,452	20	7,472
State Highway	374	-	374
Nonmajor governmental	23,967	-	23,967
Total Governmental Funds	31,793	20	31,813
Major Enterprise Funds:			
Water Projects Loans	18	-	18
Nonmajor enterprise	30	-	30
Total Enterprise	48	-	48
Internal Service	37	-	37
Total	\$ 35,349	\$ 20	\$ 35,369

The balances result primarily from timing differences between the date goods and services are provided or reimbursable expenses occur, and the date the transactions are recorded in the accounting system and payment is made. An exception is the long term receivable due to the Nevada System of Higher Education (NSHE) from the Primary Government in the amount of \$3,471,391. This represents the remaining amount of State of Nevada general obligation bonds that may be issued, as authorized during the 2009 Legislative Session, for NSHE capital improvements.



(Note 5 Continued)

C. Transfers From/Transfers To Other Funds

A summary of transfers between funds for the year ended June 30, 2011, is shown below (expressed in thousands):

	Transfers Out/To					
	Major Governmental Funds					
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Nonmajor Governmental	Total Governmental
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 8,339	\$ 7	\$ 14,000	\$ 69,558	\$ 91,904
State Highway	1,706	-	-	-	4,767	6,473
Consolidated Bond Interest and Redemption	4,143	-	39,258	-	17,887	61,288
Nonmajor governmental	17,996	609	-	-	15,624	34,229
Total Governmental	23,845	8,948	39,265	14,000	107,836	193,894
Nonmajor enterprise	1,128	-	-	-	-	1,128
Internal Service	222	118	-	-	-	340
Total other funds	\$ 25,195	\$ 9,066	\$ 39,265	\$ 14,000	\$ 107,836	\$ 195,362

	Transfers Out/To					
	Major Enterprise Fund					
	Unemployment Compensation	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 1,643	\$ 12,160	\$ 13,803	\$ 2,000	\$ 107,707
State Highway	-	-	-	-	-	6,473
Consolidated Bond Interest and Redemption	-	-	-	-	-	61,288
Nonmajor governmental	11,370	-	-	11,370	100	45,699
Total Governmental	11,370	1,643	12,160	25,173	2,100	221,167
Nonmajor enterprise	-	-	-	-	-	1,128
Internal Service	-	-	-	-	-	340
Total other funds	\$ 11,370	\$ 1,643	\$ 12,160	\$ 25,173	\$ 2,100	\$ 222,635

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment. An exception was a transfer to the General Fund of \$73 million from certain funds and accounts to offset the difference between projected revenues and collections. The Nevada Legislature approved this transfer during the 26th Special Session (2010).

In addition, the Nevada Legislature approved appropriations for the support of the Nevada System of Higher Education (NSHE), a component unit. Net payments to NSHE of \$546 million are reported as education and support service expenses in the Statement of Activities and as intergovernmental expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. A corresponding amount is reported as general revenue of NSHE in the Statement of Activities.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

Note 6 - Restricted Assets

Various debt service, operation and maintenance, capital improvement and construction (acquisition) funding requirements of bond covenants, and trust indentures are recorded as restricted assets on the Statement of Net Assets. The components of restricted assets at June 30, 2011 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
Restricted:			
Cash	\$ -	\$ -	\$ 46,290
Investments	149,715	149,715	30,897
Total	\$ 149,715	\$ 149,715	\$ 77,187
Restricted for:			
Debt service	\$ 149,715	\$ 149,715	\$ 3,283
Construction	-	-	37,652
Other purposes	-	-	36,252
Total	\$ 149,715	\$ 149,715	\$ 77,187

Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2011, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases *	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 138,336	\$ 160	\$ (11)	\$ 138,485
Construction in progress	178,010	86,745	(69,057)	195,698
Infrastructure	3,164,498	180,128	-	3,344,626
Rights-of-way	592,842	2,337	(161)	595,018
Total capital assets, not being depreciated	4,073,686	269,370	(69,229)	4,273,827
Capital assets, being depreciated/amortized				
Buildings	1,499,464	29,388	(15,900)	1,512,952
Improvements other than buildings	114,444	3,343	3,126	120,913
Furniture and equipment	370,913	19,331	(18,251)	371,993
Software costs	151,858	3,391	(46)	155,203
Total capital assets, being depreciated/amortized	2,136,679	55,453	(31,071)	2,161,061
Less accumulated depreciation/amortization for:				
Buildings	(397,671)	(37,382)	4,163	(430,890)
Improvements other than buildings	(64,336)	(4,925)	(275)	(69,536)
Furniture and equipment	(277,816)	(27,566)	14,691	(290,691)
Software costs	(140,385)	(5,932)	32	(146,285)
Total accumulated depreciation/amortization	(880,208)	(75,805)	18,611	(937,402)
Total capital assets, being depreciated/amortized, net	1,256,471	(20,352)	(12,460)	1,223,659
Governmental activities capital assets, net	\$ 5,330,157	\$ 249,018	\$ (81,689)	\$ 5,497,486
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	8,476	49	-	8,525
Total capital assets, not being depreciated	9,044	49	-	9,093
Capital assets, being depreciated				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	5,603	174	(163)	5,614
Total capital assets, being depreciated	9,623	174	(163)	9,634
Less accumulated depreciation for:				
Buildings	(2,415)	(103)	-	(2,518)
Improvements other than buildings	(560)	(9)	-	(569)
Furniture and equipment	(4,706)	(313)	144	(4,875)
Total accumulated depreciation	(7,681)	(425)	144	(7,962)
Total capital assets, being depreciated, net	1,942	(251)	(19)	1,672
Business-type activities capital assets, net	\$ 10,986	\$ (202)	\$ (19)	\$ 10,765

*The Governmental Activities decreases column for buildings and for improvements other than buildings, displays both decreases and increases. This is the result of reclassifying costs and related accumulated depreciation between these asset types.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



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(Note 7 Continued)

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

Governmental activities:			
General government		\$	4,871
Education, support services			2,514
Health, social services			10,609
Law, justice, public safety			30,893
Recreation, resource development			6,454
Transportation			11,564
Regulation of business			1,904
Unallocated			1,402
Depreciation and amortization on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets			5,594
Total depreciation/amortization expense - governmental activities		<u>\$</u>	<u>75,805</u>
Business-type activities:			
Enterprise		\$	425
Total depreciation expense - business-type activities		<u>\$</u>	<u>425</u>

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2011, was as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nevada System of Higher Education:				
Capital assets, not being depreciated				
Construction in progress	\$ 117,996	\$ 66,827	\$ (109,047)	\$ 75,776
Land	81,682	961	(16)	82,627
Intangibles	808	-	-	808
Collections	11,369	80	(145)	11,304
Total capital assets, not being depreciated	<u>211,855</u>	<u>67,868</u>	<u>(109,208)</u>	<u>170,515</u>
Capital assets, being depreciated				
Buildings	2,155,067	87,549	(830)	2,241,786
Land and improvements	104,457	8,816	(545)	112,728
Machinery and equipment	313,523	26,263	(15,203)	324,583
Intangibles	11,630	25,209	-	36,839
Library books and media	117,541	4,662	(834)	121,369
Total capital assets, being depreciated	<u>2,702,218</u>	<u>152,499</u>	<u>(17,412)</u>	<u>2,837,305</u>
Less accumulated depreciation for:				
Buildings	(545,559)	(54,442)	565	(599,436)
Land and improvements	(77,995)	(3,876)	111	(81,760)
Machinery and equipment	(210,491)	(26,300)	13,429	(223,362)
Intangibles	(5,155)	(2,099)	-	(7,254)
Library books and media	(104,881)	(5,840)	827	(109,894)
Total accumulated depreciation	<u>(944,081)</u>	<u>(92,557)</u>	<u>14,932</u>	<u>(1,021,706)</u>
Total capital assets, being depreciated, net	<u>1,758,137</u>	<u>59,942</u>	<u>(2,480)</u>	<u>1,815,599</u>
Nevada System of Higher Education activity capital assets, net	<u>\$ 1,969,992</u>	<u>\$ 127,810</u>	<u>\$ (111,688)</u>	<u>\$ 1,986,114</u>



Note 8 - Long-Term Obligations

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2011 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,067,615	\$ 140,070	\$ (254,800)	\$ 1,952,885	\$ 98,535
Special obligation bonds	668,840	-	(56,795)	612,045	50,835
Subtotal	2,736,455	140,070	(311,595)	2,564,930	149,370
Issuance premiums on bonds	103,270	13,172	(11,521)	104,921	10,646
Total bonds payable	2,839,725	153,242	(323,116)	2,669,851	160,016
Certificates of participation					
Issuance premiums on certificates of participation	56,080	-	(605)	55,475	1,660
Total certificates of participation	690	-	(99)	591	98
Total certificates of participation	56,770	-	(704)	56,066	1,758
Other Governmental long-term activities:					
Obligations under capital leases	33,846	408	(3,284)	30,970	2,341
Compensated absences obligations	103,573	75,837	(79,653)	99,757	65,886
Arbitrage rebate liability	3,218	49	(1,788)	1,479	864
Total other governmental long-term activities	140,637	76,294	(84,725)	132,206	69,091
Governmental activities long-term obligations	\$ 3,037,132	\$ 229,536	\$ (408,545)	\$ 2,858,123	\$ 230,865
Business-type activities:					
Bonds payable					
General obligation bonds	\$ 105,060	\$ 21,140	\$ (17,225)	\$ 108,975	\$ 8,830
Special obligation bonds	994,044	59,000	(132,536)	920,508	81,073
Subtotal	1,099,104	80,140	(149,761)	1,029,483	89,903
Issuance premiums	1,971	817	(323)	2,465	282
Total bonds payable	1,101,075	80,957	(150,084)	1,031,948	90,185
Compensated absences obligations	1,895	1,260	(1,401)	1,754	1,096
Federal unemployment advance	438,325	334,835	-	773,160	-
Tuition benefits payable	131,505	15,872	(5,402)	141,975	11,601
Arbitrage rebate liability	64	-	(27)	37	-
Business-type activities long-term obligations	\$ 1,672,864	\$ 432,924	\$ (156,914)	\$ 1,948,874	\$ 102,882

The General Fund, special revenue funds and internal service funds in which the leases are recorded typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the funds incurring the related salaries and wages costs. The debt service funds typically liquidate the arbitrage obligations.

B. Bonds Payable

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

direct obligations and pledge the full faith and credit of the State.

Special obligation highway improvement revenue bonds provide funds for property acquisition and construction of highway projects. Special obligation housing bonds in the aggregate have a debt limit of \$5,000,000,000 and are used for housing loans or to purchase mortgage loans having both fixed and variable interest rates. Special obligation bonds are payable solely from gross pledged revenues and are not general obligations of the State.

General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2011 are comprised of the following (expressed in thousands):



(Note 8 Continued)

	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Principal Outstanding</u>
Governmental activities:			
General obligation bonds:			
Subject to Constitutional Debt Limitation	3.0-7.0%	\$ 1,672,365	\$ 1,303,790
Exempt from Constitutional Debt Limitation	1.6-7.0%	1,388,565	649,095
Special obligation bonds:			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	3.5-6.0%	963,925	612,045
Subtotal		<u>4,024,855</u>	<u>2,564,930</u>
Issuance premiums		<u>165,493</u>	<u>104,921</u>
Governmental activities bonds payable		<u>4,190,348</u>	<u>2,669,851</u>
Business-type activities:			
General obligation bonds:			
Exempt from Constitutional Debt Limitation	2.0-6.5%	165,320	108,975
Special obligation bonds:			
Housing Bonds	*.5-7.6%	1,544,750	920,508
Subtotal		<u>1,710,070</u>	<u>1,029,483</u>
Issuance premiums		<u>3,853</u>	<u>2,465</u>
Business-type activities bonds payable		<u>1,713,923</u>	<u>1,031,948</u>
Total bonds payable		<u>\$ 5,904,271</u>	<u>\$ 3,701,799</u>

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

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2011, of the primary government are summarized in the table following (expressed in thousands):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 149,370	\$ 123,482	\$ 89,908	\$ 31,517
2013	165,240	115,974	20,761	30,743
2014	175,345	107,703	21,850	29,840
2015	161,185	99,329	22,289	28,852
2016	155,775	91,251	22,838	27,881
2017-2021	893,190	328,240	139,833	120,938
2022-2026	680,455	138,515	150,452	83,485
2027-2031	180,550	10,982	193,966	54,711
2032-2036	3,820	592	198,867	24,154
2037-2041	-	-	153,169	7,086
2042-2046	-	-	11,565	1,374
2047-2051	-	-	3,685	99
2052-2056	-	-	300	5
Total	<u>\$ 2,564,930</u>	<u>\$ 1,016,068</u>	<u>\$ 1,029,483</u>	<u>\$ 440,685</u>

C. Constitutional Debt Limitations

Section 3, Article 9, of the State Constitution (as amended) limits the aggregate principal amount of the State's public debt to two percent (2%) of the assessed valuation of the State. Exempt from this limitation are debts authorized by the Legislature that are incurred for the protection and preservation of, or for obtaining the benefits of, any property or natural resources within the State. At June 30, 2011, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 1,756,111
Less: Bonds and leases payable as of June 30, 2011, subject to limitation	(1,342,660)
Remaining debt capacity	<u>\$ 413,451</u>



(Note 8 Continued)

D. Nevada Municipal Bond Bank

General obligation bonds have been issued through the Nevada Municipal Bond Bank, a special revenue fund, as authorized by NRS 350A. These bonds are subject to statutory limitation of \$1.8 billion and are exempt from the Constitutional Debt Limitation. Proceeds from the bonds are used to purchase validly issued general obligation bonds of the State's local governments to finance projects related to natural resources. The State anticipates that the debt service revenue it receives from the participating local governments will be sufficient to pay the debt service requirements of the State bonds as they become due. Eighteen projects were funded through the Nevada Municipal Bond Bank as of June 30, 2011, and total investments in local governments amounted to \$287,210,000.

E. Refunded Debt and Redemptions

On December 21, 2010, the State of Nevada refunded

\$128,415,000 in general obligation, limited tax, bonds related to capital improvements, natural resources and water projects loans by issuing refunding bonds with a total par amount of \$126,520,000 at a \$12,746,436 premium in order to restructure certain outstanding State general obligation bonds paid from property taxes to more closely align debt service payments with projected property tax revenue and to realize a debt service savings. The refunding increased the aggregate debt service payments by \$10,819,513 with an economic or present value gain of \$577,613. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of \$8,599,274. This amount is being reported as a deferred charge and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt. The impact of the refunding issues is presented in the following table (expressed in thousands):

Issue Description:	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain
Capital Improvement and Refunding Bonds Series 2010C	\$ 109,106	\$ 101,340	\$ (9,738)	\$ 79
Natural Resources and Refunding Bonds Series 2010D	19,423	18,105	(1,515)	85
Water Pollution Control Revolving Fund Leveraged Refunding Bonds, Series 2010H, Subseries 1 (Tax Exempt)	4,992	4,760	249	241
Water Pollution Control Revolving Fund Leveraged Refunding Bonds Series 2010H, Subseries 2 (Taxable)	3,673	3,450	144	134
Safe Drinking Water Revolving Fund Matching and Refunding Bonds Series 2010I	794	760	40	39
	<u>\$ 137,988</u>	<u>\$ 128,415</u>	<u>\$ (10,820)</u>	<u>\$ 578</u>

In current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The total outstanding amount of defeased issues at June 30, 2011 is \$144,273,813.

F. Amounts Available and Amounts to be Provided for Debt Service

At June 30, 2011, the amount available to service debt in the Consolidated Bond Interest and Redemption debt service fund is \$143,173,185. At June 30, 2011, the amount available to service debt in the Highway Revenue Bonds debt service fund is \$32,132,616. At June 30, 2011, the amount available to service the debt in the Municipal Bond Bank special revenue fund is \$287,047,462.

The amount to be provided by other governments of \$126,595,000 is due from the Southern Nevada Water Authority (SNWA). Until January 1, 1996 the Colorado River Commission (CRC), a component unit responsible for managing Nevada's interest in the water and power resources available from the Colorado River, operated the Southern Nevada Water System (SNWS). In accordance with Chapter 393 of the 1995 Legislature, certain rights, powers, duties and liabilities of SNWS were transferred from the State and CRC

to the SNWA effective January 1, 1996. These rights, powers, duties and liabilities included, but were not limited to, the State of Nevada general obligation bonds, the existing water user contracts, the Service Contract between CRC and the Las Vegas Valley Water District, and all other contracts related to the SNWS including contracts for capital improvement. Accordingly, the State records the general obligation bonds previously reported in CRC and an associated amount to be provided by other governments in the government-wide financial statements.

G. Bond Indenture Provisions

There are restrictions and limitations contained in the various bond indentures. The State is in compliance with the requirements of the bond covenants.

H. Capital Leases

The State has entered into various agreements for the lease of equipment and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2011, include equipment with a historical cost of \$5,710,000 with accumulated depreciation of \$4,654,000, building improvements of \$11,149,000 with accumulated depreciation of \$1,671,000, and construction in progress of \$15,205,399.

For all capital leases of the primary government, the gross minimum lease payments and the present value of the



(Note 8 Continued)

net minimum lease payments as of June 30, 2011 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2012	\$ 3,738
2013	2,988
2014	3,035
2015	3,082
2016	3,160
2017-2021	16,437
2022-2026	9,083
Total minimum lease payments	41,523
Less: amount representing interest	(10,553)
Obligations under capital leases	\$ 30,970

I. Certificates of Participation

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

In fiscal year 2004, the Nevada Real Property Corporation issued \$21,550,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the construction of an office building in Carson City. In fiscal year 2005, the Nevada Real Property Corporation issued \$22,435,000 of Lease Revenue Certificates of Participation at 3.0-5.0% interest to finance the acquisition of a site for and the construction of a new correctional facility in Las Vegas. In fiscal year 2007, the Nevada Real Property Corporation issued \$5,760,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the design and construction of a warehouse addition to the Legislative Counsel Bureau's existing State Printing Office building in Carson City and resurfacing of the exterior of the existing building, together with related improvements on the premises. Under the lease revenue certificates of participation financing arrangements, the certificates are not general obligations of the State and are not backed by the faith and credit or the taxing power of the State. The State's obligation to pay base rent and make other payments to the trustee under the financing leases is subject to appropriation by the State. However, the payment of principal and interest on both issues of certificates is being guaranteed by an insurance policy.

The following schedule presents future certificates of participation payments as of June 30, 2011 (expressed in thousands):

Year Ending June 30	Principal	Interest
2012	\$ 1,660	\$ 2,563
2013	1,815	2,488
2014	1,975	2,406
2015	2,150	2,314
2016	2,330	2,214
2017-2021	10,500	9,596
2022-2026	12,745	7,329
2027-2031	18,415	3,803
2032-2036	3,885	194
Total	\$ 55,475	\$ 32,907

J. Tuition Benefits Payable

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

APV of the future tuition obligation	\$141,975,295
Net assets available	145,276,395
Net assets as a percentage of tuition benefits obligation	102.33%

The actuarial valuation used an investment yield assumption of 6.75% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
Fall 2012	0.00%	0.00%
Fall 2013	13.00%	13.00%
Fall 2014 and later	6.00%	6.00%

K. Arbitrage Rebate Requirement

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2011, and changes for the fiscal year then ended is presented in Section A of this note.



(Note 8 Continued)

L. Conduit Debt Obligations

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The State is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2011, there are fourteen series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$954,336,594. Included in this amount is \$702,316,434 payable from the Las Vegas Monorail Company that filed Chapter 11 bankruptcy protection on January 13, 2010 in order to restructure the company's debt through this process.

M. Pledged Revenue

Pledged motor vehicle and special fuel tax - The State has pledged a portion of future motor vehicle fuel and special fuel tax revenues as well as federal aid for eligible projects to repay \$612,045,000 in outstanding Highway Improvement Revenue Bonds that were issued from December 2000 through April 2008 for highway construction projects and property acquisition. Total principal and interest remaining on the bonds is \$800,934,370 payable through December 2026. Upon completion of eligible projects, federal aid of \$239,602,355 is expected to be received in fiscal year 2012. For the current year, principal and interest paid was \$87,930,535, and total motor vehicle fuel and special fuel tax revenues were \$264,695,666.

Pledged Nevada Housing Division program funds - The single-family bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; the

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

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

Substantially all program fund assets are pledged in trust for the benefit of the bondholders.

N. Federal Unemployment Advance

As of June 30, 2011, the total amount of advances and interest due to the U.S. Department of Labor in accordance with provisions Title XII, Section 1201 of the Social Security Act totaled \$773,160,968 and \$14,750,764 respectively. Interest began accruing after December 31, 2010 at a rate of 4.09%. Current fiscal year advances totaled \$334,835,499.

O. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2011, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 498,852	\$ 36,740	\$ (20,216)	\$ 515,376	\$ 19,350
Issuance premiums	10,735	155	(476)	10,414	479
Total bonds payable	509,587	36,895	(20,692)	525,790	19,829
Obligations under capital leases	7,462	24	(3,816)	3,670	1,208
Compensated absences obligations	46,041	31,056	(28,718)	48,379	31,402
Total	\$ 563,090	\$ 67,975	\$ (53,226)	577,839	52,439
Discretely presented component units of the NSHE:					
Capital leases				850	405
Long-term debt				186	87
Total				\$ 578,875	\$ 52,931

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



(Note 8 Continued)

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2011 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 19,829	\$ 24,749
2013	21,076	23,856
2014	22,350	22,956
2015	22,236	21,983
2016	21,903	21,043
2017-2021	111,361	89,238
2022-2026	93,607	65,517
2027-2031	96,486	42,286
2032-2036	94,829	17,536
2037-2041	22,113	2,790
Total	\$ 525,790	\$ 331,954

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

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 1,306
2013	1,320
2014	927
2015	210
2016	104
Total minimum lease payments	3,867
Less: amount representing interest	(197)
Obligations under capital leases	\$ 3,670

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2011, and the changes for the year then ended, consist of the following (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 98,570	\$ -	\$ (5,770)	\$ 92,800	\$ 6,065
Issuance premiums	2,657	-	(247)	2,410	247
Unamortized refunding charges	(4,448)	-	348	(4,100)	(348)
Total bonds payable	96,779	-	(5,669)	91,110	5,964
Compensated absences obligations	309	246	(257)	298	205
Total	\$ 97,088	\$ 246	\$ (5,926)	\$ 91,408	\$ 6,169

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 6,065	\$ 4,482
2013	6,400	4,156
2014	6,735	3,812
2015	7,100	3,450
2016	7,470	3,069
2017-2021	27,240	10,122
2022-2026	20,035	5,258
2027-2031	11,755	767
Total	\$ 92,800	\$ 35,116



Note 9 - Pensions and Other Employee Benefits

The Nevada Legislature created various plans to provide benefits to qualified employees and certain elected officials of the State as well as employees of other public employers. The Public Employees' Retirement Board administers the Public Employees' Retirement System of Nevada (PERS), the Legislators' Retirement System of Nevada (LRS) and the Judicial Retirement System of Nevada (JRS). A summary description of the plans follows.

A. PERS

Plan Description - All full-time State employees and full-time employees of participating local government entities in the State are members in the PERS, a defined benefit cost-sharing, multiple-employer public employees' retirement system established in 1947 by the Nevada Legislature. PERS provides a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. Any government employer in the State may elect to have its regular and police/fire employees covered by PERS. At June 30, 2011, there were 181 participating employers and other contributing entities.

PERS' issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports PERS as a pension trust fund. PERS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits and survivor benefits. Monthly benefit allowances for regular members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned after July 1, 2001, this multiplier is 2.67% of average compensation. However, for members entering the System on or after January 1, 2010, there is only a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Summary of Significant Accounting Policies - PERS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute, employee and employer contributions are recognized in the reporting period for which they are due. Expenses

are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on estimated current values and Member Appraisal Institute independent appraisals. For private equity partnership investments, estimated fair value is determined in good faith by the general partner of the respective investment partnership. In addition, each partnership undergoes an independent audit on an annual basis.

Contributions - The authority for establishing and amending the obligation to make contributions, and member contribution rates, is provided by statute. New hires of the State of Nevada and public employers, who did not elect the employer-pay contribution plan prior to July 1, 1983, have the option of selecting either the employee/employer contribution plan or the employer-pay contribution plan. Under the employee/employer contribution plan, the employee and the employer each make matching contributions. Under the employer-pay contribution plan, the employer pays all contributions on the employee's behalf; however, the employee shares equally in the cost of the contribution rate either through salary reduction or in lieu of a promised pay increase.

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

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2011 were as follows:

	<u>Statutory Rate</u>	
	<u>Employer</u>	<u>Employees</u>
Regular employees:		
Employer-pay plan	21.50%	na
Employee/employer plan (matching rate)	11.25%	11.25%
Police and Fire employees:		
Employer-pay plan	37.00%	na
Employee/employer plan (matching rate)	19.00%	19.00%



(Note 9 Continued)

The State's contribution requirements for the current fiscal year and each of the two preceding years were (expressed in thousands):

	2011	2010	2009
Primary Government	\$ 160,959	\$ 164,630	\$ 153,768
Component Units:			
Colorado River Commission	462	470	443
Nevada System of Higher Education	26,827	28,274	28,030
Total component units	27,289	28,744	28,473
Total reporting entity	\$ 188,248	\$ 193,374	\$ 182,241
Contributions as % of covered payroll	17%	17%	16%
Percentage of pension costs contributed	100%	100%	100%

B. LRS

Plan Description - All State Legislators are members in the Legislators' Retirement System (LRS), a defined benefit, single-employer public employees' retirement system established in 1967 by the Nevada Legislature to provide a reasonable base income to Legislators at retirement. LRS is legislated by and functions in accordance with State laws established by the Nevada Legislature. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefit payments to which participants may be entitled under the plan include pension benefits and death benefits. Monthly benefit allowances are \$25 for each year of service up to thirty years.

LRS issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports LRS as a pension trust fund. LRS financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Summary of Significant Accounting Policies - LRS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute employee and employer contributions are recognized in the reporting period for which they are due. Expenses

are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

Investments are reported at fair value. The fair values of investments in securities are generally based on published market prices and quotations from major investment firms. In general, fixed income securities are valued based on yield currently available on comparable securities of issuers with similar credit ratings.

Contributions - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218C.390(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$364,186 for fiscal years 2011 and 2012, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2011, of which \$182,093 (half) was recognized as employer contributions in the fiscal year 2011, and the other half was deferred to fiscal year 2012. Employee contributions of \$51,348 were received in fiscal year 2011, of which, \$25,674 (half) was recorded as employee contributions in the fiscal year 2011, and the remaining \$25,674 was recorded as deferred revenue for fiscal year 2012.

Actuarial Information - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. Actuarial methods and significant assumptions used in the July 1, 2010, actuarial valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal
<i>Amortization Method:</i>	Year-by-year closed, level dollar amount with each amortization period set at 20 years
<i>Asset Valuation Method:</i>	Five year smoothed market
<i>Actuarial Assumptions:</i>	
<i>Investment rate of return</i>	8%
<i>Assumed inflation rate</i>	3.5% per annum
<i>Projected salary increases</i>	None
<i>Retirement Age for Active Members:</i>	Legislators become fully vested at age 60 with eight years of service with service credit before July 1, 1985, or at age 60 with ten years of service without service credit before July 1, 1985.

(Continued on next page)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2011



NEVADA

(Note 9 Continued)

(Continued from previous page)

<i>Assumed Mortality Rate:</i>	1983 Group Annuity Mortality Table
<i>Cost of Living (Post-Retirement) Increases:</i>	2% after 3 years of receiving benefits
	3% after 6 years of receiving benefits
	3.5% after 9 years of receiving benefits
	4% after 12 years of receiving benefits
	5% after 14 years of receiving benefits *
	Cap based on CPI if benefits outpace inflation

*Does not apply to retirees who enter the LRS on or after January 1, 2010.

Trend Information - Three-year trend information follows (expressed in thousands):

Actuarial Valuation Date*	For Fiscal Year Ended June 30	Annual Pension Cost	State Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
1/1/2009	2009	\$ 201	\$ 201	100%	\$ -
1/1/2009	2010	201	201	100%	-
7/1/2010	2011	182	182	100%	-

* Corrected from previous publications.

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the LRS was 74% funded. The actuarial accrued liability for benefits was \$5.6 million, and the actuarial value of assets was \$4.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.4 million, and the ratio of the UAAL to the covered payroll was 411%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. JRS

Plan Description - The Judicial Retirement System of Nevada (JRS) is the administrator of an agent multiple-employer public employees defined benefit retirement system established in 2001 by the Nevada Legislature. The JRS is legislated by and functions in accordance with laws established by the Nevada Legislature. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. As of June 30, 2011, the Supreme Court and ten municipalities in Nevada elected to participate in JRS.

JRS issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports JRS as a pension trust fund. JRS financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

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

Option 1 - 2003 Benefit Plan: Benefits, as required by statute, are computed at 3.4091% per year of accredited service at the time of retirement to a maximum of 75% with 22 years, times the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and survivor benefits.

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

Summary of Significant Accounting Policies – JRS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute, contributions are recognized in the reporting period for which they are due. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.



(Note 9 Continued)

Investments are reported at fair value. The fair values of investments in securities are generally based on published market prices and quotations from major investment firms. In general, fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Contributions – The JRS is an employer-paid plan and there is no contribution from active members. The participating employers submit the percentage of compensation determined

by the actuary to pay the normal costs and administrative expenses. Annually, the participating employers pay to the JRS an amount on the unfunded liability which is actuarially determined to be sufficient to enable the JRS to pay all current benefits for which the JRS is liable.

Actuarial Information – Actuarial valuations of the JRS are prepared annually on a fiscal year basis. Significant actuarial assumptions used in the June 30, 2011 valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal										
<i>Amortization Method:</i>	Year-by-year closed, level percent of pay (3% payroll growth assumed) over a declining amortization period of: 30 years for Supreme Court and District Judges 20 years for each non-state agency 5-year smoothed market										
<i>Asset Valuation Method:</i>											
<i>Actuarial Assumptions:</i>											
<i>Investment rate of return</i>	8%										
<i>Assumed inflation rate</i>	3.5% per annum										
<i>Projected salary increases</i>	1 to 4 years of service increase of 3% per year 5 years of service increase of 11% per year 6 to 12 years of service increase of 5% per year 13 or more years of service increase of 3% per year										
<i>Retirement Age for Active Members:</i>	Retirement rates after completion of five years of service and attainment of the following ages: <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;"><u>Age</u></td> <td style="text-align: center;"><u>Rate per Age</u></td> </tr> <tr> <td style="text-align: center;">60—64</td> <td style="text-align: center;">35%</td> </tr> <tr> <td style="text-align: center;">65—67</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">68—69</td> <td style="text-align: center;">75%</td> </tr> <tr> <td style="text-align: center;">70</td> <td style="text-align: center;">100%</td> </tr> </table>	<u>Age</u>	<u>Rate per Age</u>	60—64	35%	65—67	50%	68—69	75%	70	100%
<u>Age</u>	<u>Rate per Age</u>										
60—64	35%										
65—67	50%										
68—69	75%										
70	100%										
<i>Assumed Mortality Rate:</i>	RP-2000 Male Combined Healthy Table RP-2000 Female Combined Healthy Table set forward one year										
<i>Cost of Living (Post-Retirement) Increases:</i>	2% after 3 years of receiving benefits 3% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4% after 12 years of receiving benefits 5% after 14 years of receiving benefits* Cap based on CPI if benefits outpace inflation										

* Does not apply to retirees who enter the JRS on or after January 1, 2010.

Trend Information - Three-year trend information for the current fiscal year and each of the two preceding fiscal years follows (expressed in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 5,146	\$ 5,043	\$ 3,740
Interest on net pension obligation	(1)	(40)	(24)
Adjustment to annual required contribution	2	116	69
Annual pension cost	5,147	5,119	3,785
State contribution made	(4,972)	(4,624)	(3,992)
Increase (decrease) in net pension obligation	175	495	(207)
Net pension obligation (asset) at beginning of year	(10)	(505)	(298)
Net pension obligation (asset) at end of year	<u>\$ 165</u>	<u>\$ (10)</u>	<u>\$ (505)</u>
Percentage of annual pension costs contributed	97%	90%	105%



(Note 9 Continued)

Funded Status and Funding Progress – As of June 30, 2011, the most recent actuarial valuation date, the JRS was 64% funded. The actuarial accrued liability for benefits was \$88 million, and the actuarial value of assets was \$56.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$31.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$16.4 million, and the ratio of the UAAL to the covered payroll was 191%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. Other Postemployment Benefits

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

The Retirees' Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retirees' Fund as a trust fund. The Retirees' Fund financial report may be obtained from Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

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

Method Used to Value Investments – Investments are reported at fair value, which is defined as the price at which an asset passes from a willing seller to a willing buyer. Investments are held with the Retirement Benefits Investment Fund (RBIF), which values participants' shares according to the contributions of each entity, and accordingly, earnings and expenses are allocated to each entity in proportion to the participants' share in the RBIF.

Contributions and Funding Policy - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2010 through June 30, 2011 the rate assessed was 0.658% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. Due to statewide revenue shortfalls, in February 2010, the 26th Special Session of the Nevada Legislature directed \$24,700,000 be withdrawn from the Retirees' Benefits Investment Fund to be used to pay for retiree healthcare during the year ending June 30, 2011, thereby reducing the amount paid by state agencies to the Retirees' Fund. No additional investments or withdrawals from the Retirees' Benefits Investment Fund occurred during the year ending June 30, 2011. For the year ended June 30, 2011, the State and its component units contributed \$9,649,348 to the plan, which is 100% of the contractually required contribution. For the year ended June 30, 2010, the State and its component units contributed \$33,406,435 to the plan, which is 100% of the contractually required contribution. For the year ended June 30, 2009, the State and its component units contributed \$39,272,839 (as restated) to the plan, including \$32,846,440, which is 100% of the contractually required contribution, and an additional \$6,426,399 to prefund benefits.



Note 10 - Risk Management

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

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

	Self Insurance Fund	Insurance Premiums Fund
Balance June 30, 2009	\$ 35,881	\$ 45,588
Claims and changes in estimates	238,725	13,212
Claim payments	(240,133)	(13,637)
Balance June 30, 2010	34,473	45,163
Claims and changes in estimates	237,324	30,887
Claim payments	(237,948)	(15,421)
Balance June 30, 2011	\$ 33,849	\$ 60,629
Due Within One Year	\$ 33,849	\$ 19,581

These liabilities are recorded in accordance with GASB Statement No. 10. This statement requires that a liability for claims be reported if information received before the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include incremental claims adjustment costs. A reserve for losses has been established in both funds to account for these liabilities and is included in the liability section of the Statement of Net Assets.

There was no insurance coverage for excess liability insurance.

There are several pending lawsuits or unresolved disputes involving the State or its representatives at June 30, 2011. The estimated liability for these claims has been factored into the calculation of the reserve for losses and loss adjustment expenses developed.

A. Self-Insurance Fund

The Self-Insurance Fund administers the group health, life and disability insurance for covered employees, both active and retired, of the State and certain other participating public employers within the State. All public employers that in the State are eligible to participate in the activities of the Self-Insurance Fund and currently, in addition to the State, there are eleven public employers whose employees are covered under the plan. Additionally, all retirees of public employers that contracted with the Self-Insurance Fund to provide coverage to their active employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, the State, the Nevada System of Higher Education and one hundred twenty-four public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employees' Benefit Program Board. The Board is composed of nine members, eight members appointed by the Governor, and the Director of the Department of Administration or his designee.

The Self-Insurance Fund is self-insured for medical, dental, vision, mental health and substance abuse benefits and assumes all risk for claims incurred by plan participants. Fully insured

HMO products are also offered. Long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, fund rate-setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

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

B. Insurance Premiums Fund

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

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy for workers' compensation. For the year ended June 30, 2011, the loss retention for this policy was \$1,500,000. Effective January 1, 2001, NSHE and PERS were excluded from coverage under this policy. Liabilities in the amount of \$50,166,510 as of June 30, 2011 were determined using standard actuarial techniques as estimates for the case, reserves, incurred but not reported losses and allocated loss adjustment expenses under the plan as of June 30, 2011.

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

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

At June 30, 2011, incurred but not reported claims liability for general, civil and auto liability insurance is based upon standard actuarial techniques, which take into account financial



(Note 10 Continued)

data, loss experience of other self-insurance programs and the insurance industry, the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged property. The liability for estimated losses from reported and unreported claims in excess of the amounts paid for the workers' compensation policies is determined using standard actuarial techniques, which take into account claims history and loss development factors for similar entities. This liability is further adjusted for a non-working escrow deposit on-hand with the insurer which is restricted for use as collateral against future losses and a loss fund on-hand with the insurer that is restricted for payment of claims. Incurred but not reported claims liabilities are included in the reserve for losses.

The State is contingently liable for the cost of post retirement heart disease benefits payable under the Nevada Occupational

Disease Act. Any fireman or police officer that satisfies the five-year employment period requirement under this act is eligible for coverage under Workers' Compensation for heart disease. A range of estimated losses from \$9,142,700 to \$35,290,500 has been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2011 total liabilities exceeded total assets by \$39,910,551. The Fund is liable for approximately \$40,000,000 as of June 30, 2011 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

Note 11 - Fund Balances and Net Assets

A. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$1,252,908,339 of restricted net assets for the primary government of which \$125,781,438 is restricted by enabling legislation.

B. Governmental Fund Balances

Governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the State is bound to observe constraints imposed on the use of the resources of the fund. A summary of governmental fund balances at June 30, 2011, is shown below (expressed in thousands):

	Major Governmental Funds					Total Governmental
	General	State Highway	Municipal Bond Bank	Consolidated Bond Interest and Redemption	Nonmajor Governmental Funds	
Fund balances:						
Nonspendable:						
Municipal securities	\$ -	\$ -	\$ 287,048	\$ -	\$ -	\$ 287,048
Long term notes/loans receivable	9,695	-	-	-	-	9,695
Inventory	523	13,006	-	-	470	13,999
Advances	6,851	-	-	-	-	6,851
Prepaid items	1,386	18	-	-	3	1,407
Permanent fund principal	-	-	-	-	306,590	306,590
Restricted for:						
General government	173	-	-	-	-	173
Health and social services	1,998	-	-	-	10,814	12,812
Education and support services	359	-	-	-	1,845	2,204
Law, justice, and public safety	2,050	-	-	-	4,051	6,101
Regulation of business	4,454	-	-	-	3,447	7,901
Transportation	-	275,157	-	-	-	275,157
Recreation and resource development	64,653	-	-	-	37,704	102,357
Debt service	-	-	-	-	32,133	32,133
Capital projects	-	-	-	-	48,889	48,889
Committed to:						
General government	70,362	-	-	-	-	70,362
Health and social services	44,568	-	-	-	18,720	63,288
Education and support services	5,651	-	-	-	10,543	16,194
Law, justice, and public safety	20,599	-	-	-	2,057	22,656
Regulation of business	34,458	-	-	-	4,146	38,604
Recreation and resource development	55,693	-	-	-	-	55,693
Debt service	-	-	-	143,173	9,793	152,966
Capital projects	-	-	-	-	364	364
Fiscal emergency	39,237	-	-	-	-	39,237
Unassigned:	(115,965)	-	-	-	(191)	(116,156)
Total fund balances	\$ 246,745	\$ 288,181	\$ 287,048	\$ 143,173	\$ 491,378	\$ 1,456,525



(Note 11 Continued)

C. Individual Fund Deficits Nonmajor Special Revenue Funds

Hospital Care to Indigent Persons – The Hospital Care to Indigent Persons Fund accounts for taxes levied to provide care to indigent persons hospitalized from motor vehicle accidents, and for taxes received and payments to counties for supplemental medical assistance to indigent persons. The fund shows a decrease in net assets of \$255,125 for the fiscal year ended June 30, 2011, resulting in net liabilities (negative net assets) of \$191,181 at June 30, 2011.

Nonmajor Enterprise Funds

Forestry Nurseries - The Forestry Nurseries Fund accounts for the self-supporting operations of State nurseries, which propagate, maintain and distribute plants for conservation purposes. The fund shows a decrease in net assets of \$16,738

for the fiscal year ended June 30, 2011, resulting in net liabilities (negative net assets) of \$6,340 at June 30, 2011.

Nevada Magazine - The Nevada Magazine Fund accounts for the operation of the publication, *Nevada Magazine*, which is published to promote tourism. The fund shows a decrease in net assets of \$32,719 for the fiscal year ended June 30, 2011, resulting in net liabilities (negative net assets) of \$105,803 at June 30, 2011.

Internal Service Fund

Insurance Premiums - The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers' compensation insurance to State agencies. The fund recorded a decrease in net assets of \$15,779,105 for the year ended June 30, 2011, resulting in net liabilities (negative net assets) of \$39,910,551 at June 30, 2011.

Note 12 - Principal Tax Revenues

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

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

Sales and Use Taxes are imposed at a minimum rate of 6.85%, with county and local option up to an additional 1.25%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

Modified Business Tax is imposed at a tiered rate for businesses other than financial institutions. If the sum of all taxable wages paid by the employer does not exceed \$62,500 for the calendar quarter, the amount of tax is 0.5% of the sum of the wages. If the sum of all the wages paid by the employer exceeds \$62,500 for the calendar quarter, the tax is \$312.50 plus 1.17% of the amounts the wages exceed \$62,500. Modified Business Tax is imposed on financial institutions at 2% on gross wages paid by the employer during the calendar quarter. There is an allowable deduction from the gross wages for amounts paid by the employer for qualified health insurance or a qualified health benefit plan.

Insurance Premium Tax is imposed at 3.5% on insurance premiums written in Nevada. A "Home Office Credit" is given to insurance companies with home or regional offices in Nevada, but not to exceed 80% of the taxes due.

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

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

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

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

Live Entertainment Taxes are imposed at 10% of all amounts paid for admission, food, merchandise or refreshment, while the establishment is providing entertainment in facilities with less than occupancy/seating of 7,500. A 5% rate is imposed for facilities with at least 7,500 occupancy/seating.

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

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

**Note 13 - Works of Art and Historical Treasures**

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

located in Carson City, preserves the rich railroad heritage of Nevada, including locomotives and cars of the famous Virginia & Truckee Railroad. The East Ely Depot Museum, located in the historic Nevada Northern Railroad Depot building, exhibits artifacts, documents, and photographs of early Eastern Nevada mining and railroad transportation. The Nevada Arts Council with locations in Carson City and Las Vegas exhibits artwork. Its mission is to enrich the cultural life of the State and make excellence in the arts accessible to all Nevadans.

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

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

Note 14 - Commitments and Contingencies**A. Primary Government**

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

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

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

In litigation filed against the Department of Taxation, the plaintiff is seeking a declaration that the Live Entertainment Tax is unconstitutional on its face and that they do not have to pay the tax. The Live Entertainment Tax is collected by the Department of Taxation as well as the Gaming Control Board. The Gaming Control Board's collection of the Live Entertainment Tax has not been challenged. Should a refund be granted, the estimated amount to date is \$75.3 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

The Department of Transportation filed an eminent domain action to acquire property in Washoe County. The plaintiff filed a counterclaim in inverse condemnation claiming loss of access and damage to water rights. The loss of access claim was settled and the loss of water rights claim is proceeding to arbitration. The plaintiff is seeking damages of \$12 million. In addition, there are several pending condemnation actions for which the potential liability is not ascertainable at the present time.

The State instituted a claim for declaratory relief relating to its actions in 2008 in terminating a forward delivery investment agreement between it and Lehman Brothers Commercial Bank, a Utah industrial bank ("LBCB"). When the State entered into the forward delivery investment agreement in June of 2002, it received a fee of \$20.5 million in exchange for agreeing to purchase certain specified US treasury securities of various maturities and principal amounts from LBCB at different times between June 30, 2002 and May 15, 2028. The State was required to purchase the securities at their matured values, or par value if discount securities were purchased. LBCB would realize revenue at the time of delivery to the custodian. In January of 2009, LBCB (now



(Note 14 Continued)

known as Woodlands Commercial Bank) filed an answer to the State’s declaratory judgement action and a counterclaim requesting a judgement in favor of LBCB in the declaratory relief claim, and seeking other relief, including an award of damages against the State. While the State believes it has a meritorious claim for declaratory relief and meritorious defenses to LBCB’s counterclaim, the State cannot at this time predict the outcome of this action.

PERS - The Public Employees’ Retirement System (PERS) has entered into investment funding commitments related to private markets to fund an additional \$642.2 million at some future date.

Leases - The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Assets. Primary government lease expense for the year ended June 30, 2011 amounted to \$36.5 million. The following is the primary government’s schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011 (expressed in thousands):

For the Year Ending June 30	Amount
2012	\$ 25,496
2013	19,609
2014	13,764
2015	10,894
2016	5,884
2017-2021	10,153
2022-2025	5,556
Total	\$ 91,356

Federal Grants - The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2011, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

Rebate Arbitrage - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S.

Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebateable arbitrage is computed as of each installment computation date. The present value of the rebateable arbitrage is \$1,516,000 and has been recorded as a liability in the Statement of Net Assets at June 30, 2011. Future calculations might result in different rebateable arbitrage amounts.

Encumbrances – As of June 30, 2011, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	Amount
General Fund	\$ 3,799
State Highway	2,582
Nonmajor governmental funds	501
Total	\$ 6,882

Construction Commitments – As of June 30, 2011, the Nevada Department of Transportation had total contractual commitments of approximately \$303.4 million for construction of various highway projects. Other major non-highway construction commitments for the primary government’s budgeted capital projects funds total \$31.1 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) – As of June 30, 2011, NSHE had entered into various investment agreements with private equity partnerships and private commingled funds. Under the terms of certain of these investment agreements, NSHE is obligated to make additional investments in these partnerships of \$4,204,000.

NSHE is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, NSHE management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially affect the net assets, changes in net assets or cash flows of NSHE.

The estimated cost to complete property authorized or under construction at June 30, 2011 is \$76,082,000. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

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

The CRC does not accrue for estimated future legal defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when the services are rendered.

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**Note 15 - Subsequent Events****A. Primary Government**

Bonds – On October 26, 2011 the State executed purchase agreements for the following bonds, which are closed on November 16, 2011: \$65,245,000 Series 2011A General Obligation (Limited Tax), Capital Improvement, Cultural Affairs and Refunding Bonds (subject to the Constitutional Debt Limit); \$5,545,000 Series 2011B Colorado River Commission General Obligation (Limited Tax) (Revenue Supported), Hoover Uprating Refunding Bonds (not subject to the Constitutional Debt Limit); \$28,460,000 Series 2011C, General Obligation (Limited Tax), Water Pollution Control Revolving Fund Leveraged Refunding Bonds (not subject to the Constitutional Debt Limit); \$32,835,000 Series 2011D General Obligation (Limited Tax), Open Space, Parks and Cultural Resources Refunding Bonds (subject to the Constitutional Debt Limit); \$14,530,000 Series 2011E, General Obligation (Limited Tax), Open Space, Parks and Natural Resources Refunding Bonds (not subject to the Constitutional Debt Limit); \$2,820,000 Series 2011F General Obligation (Limited Tax), Safe Drinking Water Revolving Fund Matching Bonds (not subject to the Constitutional Debt Limit).

State Highway Fund – The State was involved in arbitration over two eminent domain lawsuits in Las Vegas. In January 2012, a settlement payment of \$25,000,000 was made from the Highway Fund resulting in the State gaining title to 7.04 acres.

Advances from the Federal Unemployment Account – The State drew repayable advances of \$115.3 million and made voluntary repayments of \$103.4 million between July 1, 2011 and January 5, 2012. The State has applied for and may still draw up to \$184.7 million to meet State unemployment insurance obligations through March 31, 2012. Thereafter loan requests may be submitted every 90 days. On September 27, 2011, the State was approved for a deferral of the interest accrued through and due September 30, 2011 on Title XII advances. The total amount of interest due on June 30, 2012 is \$22,552,947.

Self-Insurance Trust Fund – In anticipation of a reduction of approximately \$85.2 million in funding provided by the State for the 2011 – 2013 biennium, effective July 1, 2011, the Self-Insurance Trust Fund implemented several significant plan design changes. These changes result in a significant decrease to claims expense slightly offset by additional contractual obligations. These plan design changes include but are not limited to:

- All PPO participants were transitioned to a High Deductible Health Plan with a funded Health Savings Account of Health Reimbursement Arrangement.
- Most Medicare retirees were transitioned to an Individual Market Medicare Exchange with a funded Health Reimbursement Arrangement.

The third party administrator that processes claims payments on behalf of the Self Insurance Trust Fund has identified overpayments in the amount of \$1,880,495 as of June 30, 2011. On October 2, 2011, the Fund received \$732,189 in identified overpayments from a provider through a settlement.

Nevada Housing Division – On September 9, 2011, the bank bonds related to 1997 Fremont Meadows (\$2,965,000), 1997 Judith Villas (\$5,650,000) and 1997 Joshua Villas (\$5,395,000) were cancelled, and the regulatory agreements and declarations of restrictive covenants for the subject apartment projects were terminated and released to the letter of credit provider. On September 16, 2011, the \$5,805,000 bonds outstanding in 1996B Mesquite Bluffs were redeemed in full, and the related \$5,805,000 mortgage loan receivable was paid in full. On October 3, 2011, \$17,475,000 in bonds outstanding related to the May 1, 1996 single-family General Bond Certificate (15 issues from 1996E through 2001C) were defeased in full by the Division's General Reserve Trust.

B. Discretely Presented Component Units

Nevada System of Higher Education – At the September 2011 Board of Regents meeting, the Board of Regents approved the issuance of up to \$75,000,000 in long term, fixed rate tax exempt revenue bonds. The purpose of the bond issue would be to refinance various outstanding debts. The transaction is expected to be completed no later than December 31, 2011.

C. Private Purpose Trust Fund

Upromise College Fund 529 Plan – The Board reserves the right, in its sole discretion, to discontinue the Plan or to change any aspect of the Plan. At present, in an effort to increase the diversity of options available to those saving for college and to reduce fees paid by account owners, the Board and the Program Manager are deliberating certain changes to the structure of the Plan. It is reasonably possible that, prior to June 30, 2012, significant changes in Plan structure could be approved by the Board and implemented, which may result in a transfer of all or substantially all of the Plan's assets to a new investment manager, a restructure of portfolio options offered to account owners and a revised fee and expense structure.

Note 16 - Accounting Changes and Restatements

The State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the classification of fund balances and clarified the definitions of the general fund and other governmental fund types. As a result, certain special revenue funds no longer meet the definition of a special revenue fund and are now reported as activity in the General Fund. Fund balances in the General Fund and nonmajor special revenue funds have been restated by \$64,913,865 to reflect this change.

Budgetary Comparison Schedule General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Sources of Financial Resources				
Fund balances, July 1	\$ 628,369,448	\$ 628,369,448	\$ 628,369,448	\$ -
Revenues:				
Sales taxes	732,918,400	815,290,100	826,280,592	10,990,492
Gaming taxes, fees, licenses	783,681,103	805,758,003	815,837,222	10,079,219
Intergovernmental	1,914,539,714	2,551,828,963	2,107,350,507	(444,478,456)
Other taxes	1,298,518,914	1,379,249,812	1,381,190,121	1,940,309
Sales, charges for services	222,373,202	215,288,088	186,879,927	(28,408,161)
Licenses, fees and permits	551,934,510	550,180,353	552,594,030	2,413,677
Interest	20,548,280	14,796,712	2,347,237	(12,449,475)
Other	294,600,873	270,793,803	246,022,227	(24,771,576)
Other financing sources:				
Transfers	532,890,685	661,514,305	595,147,397	(66,366,908)
Reversions from other funds	-	-	4,484,793	4,484,793
Total sources	6,980,375,129	7,893,069,587	7,346,503,501	(546,566,086)
Uses of Financial Resources				
Expenditures and encumbrances:				
Elected officials	126,485,129	244,316,339	152,472,905	91,843,434
Legislative and judicial	72,600,875	69,845,928	56,481,711	13,364,217
Finance and administration	72,491,780	79,982,032	60,652,675	19,329,357
Education	2,484,855,544	2,901,858,939	2,653,816,226	248,042,713
Human services	2,888,636,164	3,126,862,056	2,883,439,182	243,422,874
Commerce and industry	182,117,920	215,222,402	134,293,009	80,929,393
Public safety	513,803,154	504,572,140	397,550,120	107,022,020
Infrastructure	288,708,372	347,380,249	150,822,682	196,557,567
Special purpose agencies	36,216,979	40,218,400	33,684,428	6,533,972
Other financing uses:				
Transfers to other funds	63,271,951	148,916,411	148,916,411	-
Reversions to other funds	-	-	1,346,661	(1,346,661)
Projected reversions	(58,000,000)	(47,500,000)	-	(47,500,000)
Total uses	6,671,187,868	7,631,674,896	6,673,476,010	958,198,886
Fund balances, June 30	\$ 309,187,261	\$ 261,394,691	\$ 673,027,491	\$ 411,632,800



Highway Fund				Municipal Bond Bank			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 258,396,048	\$ 258,396,048	\$ 258,396,048	\$ -	\$ 1,449	\$ 1,449	\$ 1,449	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
300,079,421	687,340,489	531,618,351	(155,722,138)	-	-	-	-
288,336,800	282,355,447	303,121,519	20,766,072	-	-	-	-
25,529,304	24,251,076	14,415,747	(9,835,329)	-	-	-	-
179,990,687	162,892,374	171,702,397	8,810,023	-	-	-	-
5,551,793	5,540,546	906,022	(4,634,524)	30,832,477	30,832,477	30,268,633	(563,844)
45,833,944	47,444,040	55,668,772	8,224,732	-	-	-	-
15,094,138	21,299,152	15,473,592	(5,825,560)	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,118,812,135</u>	<u>1,489,519,172</u>	<u>1,351,302,448</u>	<u>(138,216,724)</u>	<u>30,833,926</u>	<u>30,833,926</u>	<u>30,270,082</u>	<u>(563,844)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
203,609,804	219,772,597	179,039,357	40,733,240	-	-	-	-
628,993,501	1,056,691,004	807,294,211	249,396,793	-	-	-	-
-	-	-	-	-	-	-	-
88,525,066	89,276,310	89,276,310	-	30,833,926	30,833,926	30,268,804	565,122
-	-	71,383	(71,383)	-	-	1,278	(1,278)
-	-	-	-	-	-	-	-
<u>921,128,371</u>	<u>1,365,739,911</u>	<u>1,075,681,261</u>	<u>290,058,650</u>	<u>30,833,926</u>	<u>30,833,926</u>	<u>30,270,082</u>	<u>563,844</u>
<u>\$ 197,683,764</u>	<u>\$ 123,779,261</u>	<u>\$ 275,621,187</u>	<u>\$151,841,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Required Supplementary Information Budgetary Reporting



NEVADA

For the Fiscal Year Ended June 30, 2011

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

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

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of August 31 are reported instead of the amounts disclosed in the original budget. The August 31, 2011 date is used because this is the date for which the Legislative Interim Finance Committee affected the last changes to the fiscal year ended June 30, 2011 budget as permitted by NRS 353.220.

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

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>
Fund balances (budgetary basis) June 30, 2011	\$ 673,027	\$ 275,621	\$ -
Adjustments:			
<i>Basis differences:</i>			
Petty cash or outside bank accounts	2,829	195	-
Investments not recorded on the budgetary basis	9,222	-	287,210
Accrual of certain other receivables	135,018	3,507	-
Inventory	523	13,006	-
Advances to other funds	7,214	-	-
Accrual of certain accounts payable and other liabilities	(299,992)	-	-
Deferred revenues	(279,463)	-	-
Encumbrances	3,799	2,581	-
Other	(16,020)	(6,729)	(163)
<i>Perspective differences:</i>			
Special revenue fund reclassified to General Fund for GAAP purposes	10,588	-	-
Fund balances (GAAP basis) June 30, 2011	<u>\$ 246,745</u>	<u>\$ 288,181</u>	<u>\$ 287,047</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2011, is composed of both restricted funds, which are not available for appropriation, and unrestricted funds as follows (expressed in thousands):

Total fund balance (budgetary basis)	\$ 673,027
Restricted funds	<u>(345,897)</u>
Unrestricted fund balance (budgetary basis)	<u><u>\$ 327,130</u></u>

There were no expenditures in excess of appropriations or authorizations in the individual budget accounts for the year.

Schedule of Funding Progress Pension Plans



NEVADA

For the Fiscal Year Ended June 30, 2011

Legislator's Retirement System (LRS)

Schedule of Funding Progress - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. During fiscal year 2009, the Plan changed the actuarial valuation date from a calendar year to a fiscal year to be consistent with the financial statements. A schedule of funding progress follows (expressed in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
01/01/07	\$ 5,884	\$ 4,323	\$ 1,561	73%	\$ 328	476%
01/01/09	5,955	4,229	1,726	71%	351	492%
07/01/10	5,608	4,134	1,474	74%	359	411%

Trends can be affected by investment experience (favorable or unfavorable), salary experience, retirement experience or changes in demographic characteristics of employees. Changes in benefits provisions and in actuarial methods and assumptions can also affect trends. Actuarial valuation is performed biennially; plans with biennial valuations need not present duplicate information for the intervening years.

LRS issues a stand-alone financial report which may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Judicial Retirement System (JRS)

Schedule of Funding Progress - Actuarial valuations of the JRS are prepared annually on a fiscal year basis to determine State contributions required to fund the system on an actuarial basis. During fiscal year 2009, the Plan changed the actuarial valuation date from a calendar year to a fiscal year to be consistent with the financial statements. A schedule of funding progress follows (expressed in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
01/01/09	\$ 67,192	\$ 39,764	\$ 27,428	59%	\$ 11,368	241%
07/01/10	80,447	47,281	33,166	59%	15,315	217%
06/30/11	88,035	56,614	31,421	64%	16,465	191%

Trends can be affected by investment experience (favorable or unfavorable), salary experience, retirement experience or changes in demographic characteristics of employees. Changes in benefits provisions and in actuarial methods and assumptions can also affect trends.

JRS issues a stand-alone financial report which may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.



For the Fiscal Year Ended June 30, 2011

The State has adopted the modified approach for reporting infrastructure assets defined as a single roadway network that includes bridges. Bridges are not considered a subsystem as they are included in the cost of road construction. Under this approach, the State expends certain maintenance and preservation costs and does not report depreciation expense. The single roadway network accounted for under the modified approach includes the combination of approximately 5,300 centerline miles of roads and approximately 1,100 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 200 vehicles. In odd numbered calendar years the State completes a condition assessment of its roadways. However, the calendar year 2011 assessment is not available as of the date of this report. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80. The State has set a policy that it will maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. During the fiscal year 2010 reporting period some of the bridge reporting and inspection methodologies changed. In prior years, bridges that were functionally obsolete and not eligible for federal funding were not reported as functionally obsolete. These bridges are now reported as functionally obsolete. In addition, the inspection methodologies have been refined, resulting in an increase of functionally obsolete bridges. These changes caused the State to exceed its 10 percent policy. The State is considering revising its policy to allow for these changes in reporting by using the same percentage of structurally deficient and functionally obsolete bridges that are eligible for federal funding as reported in performance measures to the legislature instead of the percentage as reported in a current periodical. The following tables show the State's policy and the condition level of the roadways and bridges.

Condition Level of the Roadways					
Percentage of roadways with an IRI of less than 80					
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%

Condition Level of the Bridges			
Percentage of substandard bridges			
	2009	2007	2005
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	15%	4%	3%

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

Maintenance and Preservation Costs					
(Expressed in Thousands)					
	2011	2010	2009	2008	2007
Estimated	\$ 490,910	\$ 181,054	\$ 124,926	\$ 155,051	\$ 243,191
Actual	404,871	151,448	121,798	146,507	218,923

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



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

The Honorable Kim Wallin, CMA, CFM, CPA
State Controller

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2011, which collectively comprise the State of Nevada's basic financial statements and have issued our report thereon dated January 27, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Nevada System of Higher Education and the Colorado River Commission, discretely presented component units; the Housing Division Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, the Retirement Benefits Investment Fund, and the Division of Museums and History Dedicated Trust Fund as described in our report on the State of Nevada's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. The financial statements of the Division of the Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Nevada's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did

not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Nevada Legislature, management of the State, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
January 27, 2012

Independent Auditor's Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

Legislative Auditor
Legislative Counsel Bureau
Capitol Complex
Carson City, Nevada 89710

Compliance

We have audited the State of Nevada's (the State's) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the State's major Federal programs for the year ended June 30, 2011. The State's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit. As described in our report dated January 27, 2012, portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us.

The State of Nevada's basic financial statements include the operations of the Nevada System of Higher Education, a discretely presented component unit, which received \$294,756,674 in federal awards which is not included in the State's Schedule of Expenditures of Federal Awards for the year ended June 30, 2011. Our audit, as described below, did not include the operations of the Nevada System of Higher Education because the Nevada System of Higher Education engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

In our opinion, the State complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 11-45 and 11-53 through 11-55.

Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Findings 11-1 through 11-64. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The State's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Nevada Legislature, management of the State, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
March 15, 2012

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Agriculture				
Research and Development CLUSTER				
Rural Development, Forestry, and Communities	10.672	08-DG-11046000-617	\$ 16,627	\$ -
Total Research and Development CLUSTER			<u>16,627</u>	<u>-</u>
Total Department of Agriculture			<u>16,627</u>	<u>-</u>
Department of the Interior				
Research and Development CLUSTER				
Research Grants (Generic)	15.650	84550-A-G002	51,706	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2002	16,162	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2003	102,726	51,347
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2004	99,734	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2006	42,165	40,997
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2007	5,310	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2008	167,765	151,817
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	8,161	4,512
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2010	62,983	-
Total Research and Development CLUSTER			<u>505,006</u>	<u>248,673</u>
Total Department of the Interior			<u>556,712</u>	<u>248,673</u>
Department of Transportation			<u>556,712</u>	<u>248,673</u>
Research and Development CLUSTER				
Highway Planning and Construction - Research and Development	20.205R	SFY 11	914,914	-
State Planning and Research	20.515	NV-80-X013-00	38,724	38,724
State Planning and Research	20.515	NV-80-X014-00	85,000	85,000
State Planning and Research	20.515	NV-80-X015-00	397,822	397,822
State Planning and Research	20.515	NV-80-X016-00	440,817	440,817
Total Research and Development CLUSTER			<u>962,363</u>	<u>962,363</u>
Total Department of Transportation			<u>1,877,277</u>	<u>962,363</u>
			<u>1,877,277</u>	<u>962,363</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Environmental Protection Agency				
Research and Development CLUSTER				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-98962701-4	27,130	-
Total Research and Development CLUSTER			<u>27,130</u>	<u>-</u>
Total Environmental Protection Agency			<u>27,130</u>	<u>-</u>
Department of Education				
Research and Development CLUSTER				
Statewide Data Systems	84.372	R372A070010	1,333,072	-
Total Research and Development CLUSTER			<u>1,333,072</u>	<u>-</u>
Total Department of Education			<u>1,333,072</u>	<u>-</u>
Department of Health and Human Services				
Research and Development CLUSTER				
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	5 STTMP051009-05	116,930	-
Food and Drug Administration_Research	93.103	1R13FD003966-01	5,243	-
Primary Care Services_Resource Coordination and Development	93.130	1 U68HP11441-03-01	44,798	-
Primary Care Services_Resource Coordination and Development	93.130	6 U68HP11441-02-02	164,074	1,500
Total Research and Development CLUSTER			<u>208,872</u>	<u>1,500</u>
Total Department of Health and Human Services			<u>97,609</u>	<u>59,936</u>
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 VF1 CE001137-04	102,212	19,432
Injury Prevention and Control Research and State and Community Based Programs	93.136	3U17CE924825-05W1	41,262	34,046
Injury Prevention and Control Research and State and Community Based Programs	93.136	5U17CE924825-05	121,764	92,292
Total Injury Prevention and Control Research and State and Community Based Programs			<u>362,847</u>	<u>205,706</u>
Child Support Enforcement Research	93.564	90FD013601	22,310	22,310
Child Support Enforcement Research	93.564	90FD013602	53,140	53,140
Total Child Support Enforcement Research			<u>75,450</u>	<u>75,450</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199-9/18	\$ 84,175	\$ -
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LOCMS030180	3,759	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1NOCMS020199-18-00	277,971	4,261
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1YOCMS030359/01	90,860	90,860
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	IXOCMS030409-01	22,636	22,636
			<u>479,401</u>	<u>117,757</u>
Total Research and Development CLUSTER			<u>1,248,743</u>	<u>400,413</u>
Total Department of Health and Human Services			<u>1,248,743</u>	<u>400,413</u>
Grand Total Research and Development CLUSTER			<u>5,059,561</u>	<u>1,611,449</u>
Department of Agriculture				
Child Nutrition CLUSTER				
School Breakfast Program	10.553	7NV300NV3	16,845,948	16,672,968
National School Lunch Program	10.555	7NV300NV3	77,064,479	76,788,826
National School Lunch Program	10.555	SFY11/X/994	8,049,292	8,027,108
			<u>85,113,771</u>	<u>84,815,934</u>
Special Milk Program for Children	10.556	7NV300NV3	107,800	107,800
Summer Food Service Program for Children	10.559	7NV300NV3	1,250,361	1,250,361
Summer Food Service Program for Children	10.559	SFY11/X/994	1,138	1,138
			<u>1,251,499</u>	<u>1,251,499</u>
Total Child Nutrition CLUSTER			<u>103,319,018</u>	<u>102,848,201</u>
Emergency Food Assistance CLUSTER				
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	500,624	229,808
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568A	7NV840NV8	218,508	-
			<u>719,132</u>	<u>229,808</u>
Emergency Food Assistance Program (Food Commodities)	10.569	SFY11/X/994	5,436,454	5,419,280
ARRA - Emergency Food Assistance Program (Food Commodities)	10.569A	SFY11/X/994	107,213	107,213
			<u>5,543,667</u>	<u>5,526,493</u>
Total Emergency Food Assistance CLUSTER			<u>6,262,799</u>	<u>5,756,301</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
SNAP CLUSTER				
Supplemental Nutrition Assistance Program (SNAP)	10.551	SFY 2011	\$ 483,036,279	\$ -
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV5	546,011	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV7	2,845,460	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	SFY 2010	4,533,677	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	SFY 2011	12,279,586	-
			20,204,734	-
			503,241,013	-
Total SNAP CLUSTER				
Schools and Roads CLUSTER				
Schools and Roads_Grants to States	10.665	SFY 11	4,605,808	4,605,808
			4,605,808	4,605,808
Total Schools and Roads CLUSTER				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	184,414	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1716-CA	131	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1721-CA	13,194	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-0016-CA	144,015	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-0526-CA	14,022	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-0596-CA	59,170	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-1085-CA	71,800	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-1153-CA	144,723	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1455-CA	7,968	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1541-CA	7,875	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1716-CA	7,918	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1721-CA	29,688	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1951-CA	18,853	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-2035-CA	27,005	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-2068-CA	12,737	-
			743,513	-
Avian Influenza Indemnity Program	10.029	09-7100-0156-CA	10,154	-
Avian Influenza Indemnity Program	10.029	10-7100-0156-CA	28,198	-
			38,352	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Inspection Grading and Standardization	10.162	12-25-A-3287	\$ 455	\$ -
Market Protection and Promotion	10.163	12-25-A-4903	2,315	-
Market Protection and Promotion	10.163	12-25-A-5133	2,650	-
Market Protection and Promotion	10.163	12-25-A-5149	1,341	-
Market Protection and Promotion	10.163	12-25-A-5250	6,293	-
Market Protection and Promotion	10.163	12-25-A-5356	6,925	-
			19,524	-
Specialty Crop Block Grant Program	10.169	12-25-B-0873	35,066	23,795
Specialty Crop Block Grant Program	10.169	12-25-G-0659	31,300	13,859
Specialty Crop Block Grant Program	10.169	12-25-G-0801	26,356	21,590
Specialty Crop Block Grant Program	10.169	12-25-G-0936	81,152	19,465
			173,874	78,709
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-0801	26,356	-
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-0936	81,152	-
			107,508	-
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287	53,438	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1	484,949	423,426
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	44,690,425	10,480,183
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Program Income	7,338	-
			45,182,712	10,903,609
Child and Adult Care Food Program	10.558	7NV300NV3	6,081,957	6,081,957
Child and Adult Care Food Program	10.558	SFY11/X/994	56,031	56,031
			6,137,988	6,137,988
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2	182,025	-
State Administrative Expenses for Child Nutrition	10.560	7NV300NV3	685,187	685,187
			867,212	685,187
Commodity Supplemental Food Program	10.565	7NV810NV1	522,484	460,548
Commodity Supplemental Food Program	10.565	SFY11/X/994	1,628,730	1,628,730
			2,151,214	2,089,278
Food Distribution Program on Indian Reservations	10.567	7NV400NP4	254,342	-
Food Distribution Program on Indian Reservations	10.567	SFY11/X/994	182,176	-
			436,518	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Senior Farmers Market Nutrition Program	10.576	7NV810NV2	\$ 157,259	\$ 75,000
WIC Grants to States (WGS)	10.578	7NV730NV7	129,331	60,948
ARRA - WIC Grants to States	10.578A	WIEB-09-NV-01	59,579	-
			188,910	60,948
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV300NV3	139,200	139,200
Fresh Fruit and Vegetable Program	10.582	7NV300NV3	116,615	116,615
Fresh Fruit and Vegetable Program	10.582	7NV310NV1	1,154,290	1,154,290
			1,270,905	1,270,905
Cooperative Forestry Assistance	10.664	06-DG-11046000-607	611,537	63,672
Cooperative Forestry Assistance	10.664	07-DG-11046000-616	4,000	-
Cooperative Forestry Assistance	10.664	07-DG-11046000-604	316,659	36,275
Cooperative Forestry Assistance	10.664	08-DG-11046000-607	18,080	-
Cooperative Forestry Assistance	10.664	08-DG-11046000-612	383,167	169,693
Cooperative Forestry Assistance	10.664	08-DG-11046000-618	22,800	-
Cooperative Forestry Assistance	10.664	09-DG-11046000-601	703,683	-
Cooperative Forestry Assistance	10.664	09-DG-11046000-604	53,173	49,294
Cooperative Forestry Assistance	10.664	09-DG-11046000-607	725,256	462,793
Cooperative Forestry Assistance	10.664	09-DG-11046000-608	35,446	-
Cooperative Forestry Assistance	10.664	10-DG-11046000-612	819,663	45,608
Cooperative Forestry Assistance	10.664	10-DG-11046000-631	26,096	-
Cooperative Forestry Assistance	10.664	10-FI-11041730-010	85,395	-
Cooperative Forestry Assistance	10.664	11-FI-11041730-010	34,336	-
			3,839,291	827,335
Forest Legacy Program	10.676	06-DG-11046000-601	698	-
Forest Legacy Program	10.676	06-DG-11046000-609	159,217	-
Forest Legacy Program	10.676	07-DG-11046000-607	1,840	-
Forest Legacy Program	10.676	07-DG-11046000-608	5,625	5,625
Forest Legacy Program	10.676	08-DG-11046000-604	493	-
Forest Legacy Program	10.676	10-DG-10046000-601	12,780	-
			180,653	5,625

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Forest Land Enhancement Program	10.677	06-DG-11010000-012	\$ 13,488	\$ 13,488
Forest Health Protection	10.680	09-DG-11046000-613	4,635	4,635
Forest Health Protection	10.680	10-DG-11046000-617	5,521	5,521
Forest Health Protection	10.680	11-DG-11046000-603	9,999	-
			20,155	10,156
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-014	97,214	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-025	484,631	484,163
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-026	571,684	555,129
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-027	183,432	181,820
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-030	558,384	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-032	62,786	59,025
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-035	700	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	10-DG-110482B1-024	134,306	22,537
			2,093,137	1,302,674
Lake Tahoe Erosion Control Grant Program	10.690	NDSL Section 108	133,187	-
			681,377,131	136,810,412
Total Department of Agriculture				
Department of Commerce				
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-H7-0015	4,009,452	3,774,413
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557A	32-41-B10528	408,931	231,368
			4,418,383	4,005,781
Total Department of Commerce				
Department of Defense				
Procurement Technical Assistance for Business Firms	12.002	SP4800-08-2-0824	374,613	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W912DY-10-2-0230	256,639	-
Military Construction, National Guard	12.400	W9124X-08-2-2001	3,403,538	-
Military Construction, National Guard	12.400	W9124X-09-2-2001	67,018	-
Military Construction, National Guard	12.400	W9124X-09-2-2003	121,607	-
Military Construction, National Guard	12.400	W9124X-09-2-2004	267,047	-
			3,859,210	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NNNN)	12,379,660	-
ARRA - National Guard Military Operations and Maintenance (O & M) Projects	12.401A	W9124X-09-2-9017	216,085	-
			12,595,745	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Community Economic Adjustment Planning Assistance for Joint Land Use Studies	12.610	EN0815-09-01	\$ 96,976	\$ -
Total Department of Defense			17,183,183	-
Department of Housing and Urban Development				
CDBG - Entitlement Grants CLUSTER				
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253A	B-09-DY-32-0001	464,029	460,854
Total CDBG - Entitlement Grants CLUSTER			464,029	460,854
CDBG - State Administered Small Cities Program CLUSTER				
Community Development Block Grants/State's Program	14.228	B-08-MN-32-0001	8,627,798	8,622,656
Community Development Block Grants/State's Program	14.228	B-09-DC-32-0001	1,874,929	1,732,608
Community Development Block Grants/State's Program	14.228	B-10-DC-32-0001	835,409	798,022
Community Development Block Grants/State's Program	14.228	B-11-DN-32-0001	1,885	-
Total CDBG - State Administered Small Cities Program CLUSTER			11,340,021	11,153,286
Total CDBG - State Administered Small Cities Program CLUSTER			11,340,021	11,153,286
Emergency Shelter Grants Program	14.231	S-09-DC-32-0001	95,607	95,607
Emergency Shelter Grants Program	14.231	S-10-DC-32-0001	213,405	213,405
			309,012	309,012
Shelter Plus Care	14.238	NV0005C9T001003	365,447	-
Shelter Plus Care	14.238	NV0005C9T000802	893,853	-
Shelter Plus Care	14.238	NV0006C9T000802	115,621	-
Shelter Plus Care	14.238	NV0018C9T010802	413,677	-
Shelter Plus Care	14.238	NV0023C9T020801	185,618	-
Shelter Plus Care	14.238	NV0032C9T010901	48,889	-
Shelter Plus Care	14.238	NV01C500001	133,756	-
			2,156,861	-
HOME Investment Partnerships Program	14.239	M04-SG320100	36,000	36,000
HOME Investment Partnerships Program	14.239	M05-SG320100	800,953	800,953
HOME Investment Partnerships Program	14.239	M06-SG320100	712,512	433,765
HOME Investment Partnerships Program	14.239	M07-SG320100	1,372,053	1,372,053
HOME Investment Partnerships Program	14.239	M08-SG320100	858,998	858,998

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
HOME Investment Partnerships Program	14.239	M09-SG320100	\$ 780,025	\$ 780,025
HOME Investment Partnerships Program	14.239	M10-SG320100	54,000	54,000
			4,614,541	4,335,794
Housing Opportunities for Persons with AIDS	14.241	NVH09-F999	127,933	126,728
Housing Opportunities for Persons with AIDS	14.241	NVH10-F999	126,852	126,852
			254,785	253,580
ARRA - Homelessness Prevention and Rapid Re-Housing	14.257A	S-09-DY-32-0001	993,979	991,241
ARRA - Tax Credit Assistance Program	14.258A	86 9/10203	10,994,041	10,994,041
			31,127,269	28,497,808
Total Department of Housing and Urban Development				
Department of the Interior				
Fish and Wildlife CLUSTER				
Sport Fish Restoration	15.605	F-20-46	1,518,453	-
Sport Fish Restoration	15.605	F-30-AE-22	348,757	-
Sport Fish Restoration	15.605	F-32-D-20	1,675,592	-
Sport Fish Restoration	15.605	F-38-D-2	700,000	-
Sport Fish Restoration	15.605	F-45-B-1	417,855	-
Sport Fish Restoration	15.605	F-48-B-1	7,994	-
Sport Fish Restoration	15.605	F-49-B-1	4,149	-
Sport Fish Restoration	15.605	F-49-B-2	37,764	-
Sport Fish Restoration	15.605	F-50-B-1	92,734	-
Sport Fish Restoration	15.605	F-53-R-1	14,655	-
Sport Fish Restoration	15.605	FW-1-CP-11-F	28,495	-
Sport Fish Restoration	15.605	FW-3-T-29-F	208,491	-
Sport Fish Restoration	15.605	FW-4-D-16-F	11,635	-
Sport Fish Restoration	15.605	FW-4-D-17-F	138,694	-
Sport Fish Restoration	15.605	Y-4-D-1	100,000	-
			5,305,268	-
Wildlife Restoration	15.611	FW-1-CP-10-W	28,495	-
Wildlife Restoration	15.611	FW-3-T-29-W	673,486	-
Wildlife Restoration	15.611	FW-4-D-16-W	55,040	-
Wildlife Restoration	15.611	FW-4-D-17-W	1,160,852	-
Wildlife Restoration	15.611	W-48-R-42	2,696,050	-
Wildlife Restoration	15.611	W-51-HS-36-H	676,165	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Wildlife Restoration	15.611	W-58-D-20	\$ 109,891	\$ -
Wildlife Restoration	15.611	W-58-D-21	472,565	-
Wildlife Restoration	15.611	W-61-D-14	144,517	-
Wildlife Restoration	15.611	W-64-R-11	412,827	-
Wildlife Restoration	15.611	W-67-D-1	1,692	-
Wildlife Restoration	15.611	W-68-R-1	55,107	-
Wildlife Restoration	15.611	W-69-C-1	7,500	-
			6,494,187	-
Total Fish and Wildlife CLUSTER			11,799,455	-
Cultural Resource Management	15.224	L09AC15576	66,763	-
Cultural Resource Management	15.224	L10PC00472	15,833	-
			82,596	-
Distribution of Receipts to State and Local Governments	15.227	L08AC14110	12,802	-
Distribution of Receipts to State and Local Governments	15.227	SFY 11	216,553	216,553
Distribution of Receipts to State and Local Governments	15.227	SFY 11 Mineral Leases	7,550,348	7,550,348
			7,779,703	7,766,901
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	FAA080086	74,392	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	FAA080087	7,672	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L08AC13237	21,269	-
			103,333	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	FAA060209	15,941	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L08AC13433	6,640	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L08AC13433-0004	5,200	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L08AC14979	7,568	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20107	72,233	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20164	22,864	-
			130,446	-
Southern Nevada Public Land Management Act	15.235	07-BVP-01	757	-
Southern Nevada Public Land Management Act	15.235	L06AC13232	93,102	-
Southern Nevada Public Land Management Act	15.235	L09AC16293	7,839	-
Southern Nevada Public Land Management Act	15.235	L09AC15298	58,661	-
Southern Nevada Public Land Management Act	15.235	L09AC15428	50,886	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Southern Nevada Public Land Management Act	15.235	L10AC20022	\$ 195	\$ -
Southern Nevada Public Land Management Act	15.235	L10AC20023	670	-
			212,110	-
Challenge Cost Share	15.238	L07AC14536	20,000	-
National Fire Plan - Rural Fire Assistance	15.242	L08AC13357	187,314	-
National Fire Plan - Rural Fire Assistance	15.242	L08AC14092	62,868	-
			250,182	-
Water Reclamation and Reuse Program	15.504	04FG204017	142,798	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	2010-0059-301	127,185	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	DRI656.0508	38,801	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R09AP20026	366,496	-
			532,482	-
Fish and Wildlife Coordination Act	15.517	06FG202105	4,687	-
Fish and Wildlife Coordination Act	15.517	R06AP30024	88,025	-
			92,712	-
Fish and Wildlife Management Assistance	15.608	84240-7-A1003	65,721	-
Fish and Wildlife Management Assistance	15.608	84240-8-J102	14,801	-
Fish and Wildlife Management Assistance	15.608	84240-9-G013	25,161	-
Fish and Wildlife Management Assistance	15.608	84240-A-G016	12,252	-
Fish and Wildlife Management Assistance	15.608	84320-8-J512	34,076	-
Fish and Wildlife Management Assistance	15.608	84320-A-520	62,973	-
Fish and Wildlife Management Assistance	15.608	84320-A-J513	3,070	-
Fish and Wildlife Management Assistance	15.608	843209J431	4,000	-
Fish and Wildlife Management Assistance	15.608	84420-8-J010	7,212	-
			229,266	-
Cooperative Endangered Species Conservation Fund	15.615	E-14-1	16,686	-
Cooperative Endangered Species Conservation Fund	15.615	E-17-R-1	26,014	-
Cooperative Endangered Species Conservation Fund	15.615	E-18-R-1	155,216	-
Cooperative Endangered Species Conservation Fund	15.615	E-19-R-1	23,586	-
Cooperative Endangered Species Conservation Fund	15.615	E-20-R-1	33,597	-
			255,099	-
Hunter Education and Safety Program	15.626	W-51-HS-36-J	75,390	-
Landowner Incentive	15.633	I-1-2	47,048	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Landowner Incentive	15.633	I-2-4	\$ 457	\$ -
Landowner Incentive	15.633	I-8-2	17,135	-
Landowner Incentive	15.633	I-9-2	31,904	-
			<u>96,544</u>	<u>-</u>
State Wildlife Grants	15.634	AFWA-001	8,750	-
State Wildlife Grants	15.634	FW-1-CP-11-IN	5,181	-
State Wildlife Grants	15.634	FW-3-T-29-IN	128,109	-
State Wildlife Grants	15.634	T-1-1	400,974	-
State Wildlife Grants	15.634	T-2-P-2	90,251	-
State Wildlife Grants	15.634	T-3-P-1	72,347	-
State Wildlife Grants	15.634	T-4-1	33,527	-
State Wildlife Grants	15.634	U-8-R-1	8,524	-
			<u>747,663</u>	<u>-</u>
Migratory Bird Conservation	15.647	10154-6-J103	43,384	-
Migratory Bird Conservation	15.647	80154-8-G001	8,412	-
			<u>51,796</u>	<u>-</u>
Historic Preservation Fund Grants-In-Aid	15.904	32-09-21834	18,296	5,000
Historic Preservation Fund Grants-In-Aid	15.904	32-10-21935	510,584	58,071
Historic Preservation Fund Grants-In-Aid	15.904	32-11-31935	169,049	-
Historic Preservation Fund Grants-In-Aid	15.904	L10PX02479	27,919	-
			<u>725,848</u>	<u>63,071</u>
Rivers, Trails and Conservation Assistance	15.921	H8360060017	6,163	-
Rivers, Trails and Conservation Assistance	15.921	H8360060018	89	-
Rivers, Trails and Conservation Assistance	15.921	H8420090625	18,410	-
			<u>24,662</u>	<u>-</u>
ARRA - Save America's Treasures	15.929A	32-08-AP-4126	29,162	-
			<u>23,381,247</u>	<u>7,829,972</u>
Total Department of the Interior				
Department of Justice				
JAG Program CLUSTER				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0068	278,395	165,987
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0031	125,420	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0330	\$ 287,044	\$ 91,049
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DG-BX-0119	188,639	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0105	2,109,996	1,917,414
			2,989,494	2,174,450
AFRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803A	2009-SU-B9-0043	1,634,636	527,589
Total JAG Program CLUSTER			4,624,130	2,702,039
State and Local Domestic Preparedness Exercise Report	16.009	2011-100	33,992	-
Sexual Assault Services Formula Program	16.017	2009-KF-AX-0043	108,451	105,258
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2007-RE-CX-0012	65,466	-
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2008-RE-CX-0020	263,108	-
			328,574	-
Juvenile Accountability Incentive Block Grants	16.523	2008-JB-FX-0020	8,970	4,272
Juvenile Accountability Incentive Block Grants	16.523	2009-JB-FX-0018	319,851	281,187
Juvenile Accountability Incentive Block Grants	16.523	2010-JB-FX-0052	173,642	152,007
			502,463	437,466
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2009-JF-FX-0011	268,362	186,287
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2010-JF-FX-0018	438,115	314,349
			706,477	500,636
Title V_Delinquency Prevention Program	16.548	2008-JP-FX-0002	8,253	8,253
Title V_Delinquency Prevention Program	16.548	2009-JP-FX-0032	33,486	33,486
Title V_Delinquency Prevention Program	16.548	2010-JP-FX-0004	43,717	43,717
			85,456	85,456
National Criminal History Improvement Program (NCHIP)	16.554	2008-RU-BX-K016	9,419	-
National Criminal History Improvement Program (NCHIP)	16.554	2009-RU-BX-K011	10,215	-
			19,634	-
Crime Victim Assistance	16.575	2009-VA-GX-0041	2,008,684	1,972,787
Crime Victim Assistance	16.575	2010-VA-OX-0069	926,117	886,483
			2,934,801	2,859,270
Crime Victim Compensation	16.576	2010-VC-GX-0054	725,699	-
Crime Victim Compensation	16.576	2011-VC-GX-0022	4,541,000	-
			5,266,699	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0027	\$ 48,246	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2010-DD-BX-0721	85,234	-
			133,480	-
Violence Against Women Formula Grants	16.588	2008-WF-AX-0054	287,937	255,835
Violence Against Women Formula Grants	16.588	2009-WF-AX-0005	835,009	739,954
Violence Against Women Formula Grants	16.588	2010-WF-AX-0029	169,091	150,662
ARRA - Violence Against Women Formula Grants	16.588A	2009-EF-S6-0006	632,717	576,033
			1,924,754	1,722,484
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2010-WR-AX-0010	28,406	-
Grants to Encourage Arrest Policies	16.590	2009-WE-AX-0010	132,197	15,077
Residential Substance Abuse Treatment for State Prisoners	16.593	2008-RT-BX-0038	9,762	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2009-RT-BX-0045	36,118	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2010-RT-BX-0061	57,644	-
			103,524	-
State Criminal Alien Assistance Program	16.606	2010-H4203-NV-AP	1,354,558	-
Bulletproof Vest Partnership Grant	16.607	05-BVP-009	4,605	-
Bulletproof Vest Partnership Grant	16.607	06-BVP-001	3,750	3,750
Bulletproof Vest Partnership Grant	16.607	08-BPV-001	12,150	-
Bulletproof Vest Partnership Grant	16.607	09-BPV-001	585	585
			21,090	4,335
Community Prosecution and Project Safe Neighborhoods	16.609	2008-GP-CX-0084	35,119	30,954
Community Prosecution and Project Safe Neighborhoods	16.609	2009-GP-BX-0010	55,524	50,702
Community Prosecution and Project Safe Neighborhoods	16.609	2010-GP-BX-0039	50,674	48,246
			141,317	129,902
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0854	278,081	253,194
Public Safety Partnership and Community Policing Grants	16.710	2009CSWX0016	61,899	-
			339,980	253,194
Enforcing Underage Drinking Laws Program	16.727	2008-AH-FX-0067	350,430	350,430
Enforcing Underage Drinking Laws Program	16.727	2009-AH-FX-0064	360,000	360,000
Enforcing Underage Drinking Laws Program	16.727	2010-AH-FX-0118	128,942	128,942
			839,372	839,372

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	2009-VN-CX-0014	\$ 317,404	\$ -
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2009-CD-BX-0021	83,208	69,487
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2010-CD-BX-0013	56,094	55,991
			139,302	125,478
Congressionally Recommended Awards	16.753	2009-DI-BX-0154	40,715	-
ARRA - State Victim Assistance / Formula Grant	16.801A	2009-SG-B90114	388,526	385,368
ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs/CGP	16.810A	2009-SD-B9-0027	2,074	-
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BX-0035	22,621	-
NICS Act Record Improvement Program	16.813	2009-NS-BX-K060	171,471	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816	2010-RJ-BX-0040	4,154	-
Total Department of Justice			20,715,622	10,165,335
Department of Labor				
Employment Service CLUSTER				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-17580-08-55-A-32	574,510	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-19221-09-55-A-32	996,534	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-20764-10-55-A-32	5,277,526	-
Employment Service/Wagner-Peyser Funded Activities	17.207	MI-17102-08-60-A-32	693,871	-
ARRA - Employment Service/Wagner-Peyser Funded Activities	17.207A	ES-17580-08-55-A-32	1,190,968	-
			8,733,409	-
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-19662-10-55-5-32	541,551	-
Local Veterans' Employment Representative Program	17.804	DV-19662-10-55-5-32	575,612	-
			9,850,572	-
Total Employment Service CLUSTER				
WIA CLUSTER				
WIA Adult Program	17.258	AA-18660-09-55-A-32	784,240	232,154
WIA Adult Program	17.258	AA-20212-10-55-A-32	5,070,967	4,758,694
ARRA - WIA Adult Program	17.258A	AA-17140-08-55-A-32	186,918	-
			6,044,125	4,990,848
WIA Youth Activities	17.259	AA-17140-08-55-A-32	17,760	-
WIA Youth Activities	17.259	AA-18660-09-55-A-32	3,633,715	3,091,111

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
WIA Youth Activities	17.259	AA-20212-10-55-A-32	\$ 2,823,706	\$ 2,333,262
ARRA - WIA Youth Activities	17.259A	AA-17140-08-55-A-32	959,093	535,644
			7,434,274	5,960,017
WIA Dislocated Workers	17.260	AA-17140-08-55-A-32	40,787	-
WIA Dislocated Workers	17.260	AA-18660-09-55-A-32	8,136,047	6,349,708
WIA Dislocated Workers	17.260	EH-19254-09-55-A-32	477,263	-
WIA Dislocated Workers	17.260	MI-17102-08-60-A-32	280,000	-
ARRA - WIA Dislocated Workers	17.260A	AA-17140-08-55-A-32	7,020,509	6,220,169
			15,954,606	12,569,877
Total WIA CLUSTER			29,433,005	23,520,742
Labor Force Statistics	17.002	LM-18432-10-75-J-32	177,180	-
Labor Force Statistics	17.002	LM-20311-11-75-J-32	630,484	-
			807,664	-
Unemployment Insurance	17.225	UI Trust Fund	1,120,430,417	-
Unemployment Insurance	17.225	UI-16765-08-55-A-32	2,338	-
Unemployment Insurance	17.225	UI-18039-09-55-A-32	2,652,854	-
Unemployment Insurance	17.225	UI-19601-10-55-A-32	11,613,773	-
Unemployment Insurance	17.225	UI-21118-11-55-A-32	26,137,035	-
ARRA - Unemployment Insurance	17.225A	ARRA - Unemployment Insurance	1,207,619	-
ARRA - Unemployment Insurance	17.225A	UI Trust Fund	644,087,203	-
ARRA - Unemployment Insurance	17.225A	UI-18039-09-55-A-32	1,226,772	-
ARRA - Unemployment Insurance	17.225A	UI-19601-10-55-A-32	3,422,210	-
			1,810,780,221	-
Senior Community Service Employment Program	17.235	AD-18721-09-60-A-32	154,102	151,885
Senior Community Service Employment Program	17.235	AD-19987-10-60-A-32	974,199	953,264
			1,128,301	1,105,149
Trade Adjustment Assistance	17.245	TA-17869-09-55-A-32	366,163	-
Trade Adjustment Assistance	17.245	TA-19724-10-55-A-32	45,636	-
			411,799	-
Work Incentive Grants	17.266	WI-18187-09-75-A-32	126,794	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-19221-09-55-A-32	\$ 108,851	-
Temporary Labor Certification for Foreign Workers	17.273	ES-17580-08-55-A-32	21,327	-
Temporary Labor Certification for Foreign Workers	17.273	ES-19221-09-55-A-32	89,069	-
			<u>110,396</u>	-
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275A	GJ-19848-10-60-A-32	900,517	-
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275A	GJ-19954-10-60-A-32	831,745	-
			<u>1,732,262</u>	-
WIA Dislocated Worker Formula Grants	17.278	AA-20212-10-55-A-32	7,186,579	6,582,087
Reed Act Distribution	17.299	Reed Act Distribution	8,786,466	-
Consultation Agreements	17.504	CS-19382-C50	21,893	-
Consultation Agreements	17.504	CS-20920-C51	600,000	-
			<u>621,893</u>	-
Alien Labor Certification	17.528	UJ-19601-10-55-A-32	798,042	-
Transition Assistance Program	17.807	DV-19662-10-55-5-32	28,872	-
WIA Dislocated Workers Nat. Res. - TAT	17.999	MI-17102-08-60-A-32	17,823	-
			<u>1,871,929,540</u>	<u>31,207,978</u>
Total Department of Labor				
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Capital Investment Grants	20.500	NV-04-0008	155,828	155,828
			<u>155,828</u>	<u>155,828</u>
Total Federal Transit CLUSTER				
Highway Planning and Construction CLUSTER				
Highway Planning and Construction	20.205	SFY 11	255,364,078	18,365,068
ARRA - Highway Planning and Construction	20.205A	SFY 11	109,483,855	28,594,268
			<u>364,847,933</u>	<u>46,959,336</u>
Recreational Trails Program	20.219	NRTTP-007	51,794	22,650
Recreational Trails Program	20.219	NRTTP-008	450,058	333,657
Recreational Trails Program	20.219	NRTTP-009	534,645	420,922
Recreational Trails Program	20.219	NRTTP-010	394,027	338,352
Recreational Trails Program	20.219	NRTTP-011	18,058	18,058
			<u>1,448,582</u>	<u>1,133,639</u>
			<u>366,296,515</u>	<u>48,092,975</u>
Total Highway Planning and Construction CLUSTER				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Highway Safety CLUSTER				
State and Community Highway Safety	20.600	US DOT (NHTSA) FY11	\$ 4,565,859	\$ 2,465,512
Total Highway Safety CLUSTER			4,565,859	2,465,512
Transit Services Programs CLUSTER				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-04-0006	383,858	383,858
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0033	167,221	167,221
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0035	202,999	202,999
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0036	314,666	314,666
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0037	74,029	74,029
Total Transit Services Programs CLUSTER			1,142,773	1,142,773
Job Access_Reverse Commute	20.516	NV-37-X016	68,214	68,214
Total Transit Services Programs CLUSTER			1,210,987	1,210,987
Total Transit Services Programs CLUSTER			132,071	-
National Motor Carrier Safety	20.218	MC09321000000	305,059	-
National Motor Carrier Safety	20.218	MC10321000000	1,134,212	-
National Motor Carrier Safety	20.218	MH09323000000	6,556	-
National Motor Carrier Safety	20.218	MN10321000000	145,051	-
Total National Motor Carrier Safety			1,590,878	-
Commercial Driver's License Program Improvement Grant	20.232	CD10321000000	98	-
Commercial Vehicle Information Systems and Networks	20.237	CVISN07	166,443	-
Fuel Tax Evasion_Intergovernmental Enforcement Effort	20.240	TCP1-004	1,850	-
High-Speed Rail Corridors and Intercity Passenger Rail Service	20.319	FR-HSR-0042-11-01-00	250,725	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X023-00	1,857	1,857
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	163,406	163,406
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	185,466	185,466

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X031	\$ 3,691,066	\$ 3,657,861
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X032	436,888	436,888
Formula Grants for Other Than Urbanized Areas	20.509	NV-86-X0001	1,588,353	1,588,353
			6,067,036	6,033,831
Pipeline Safety	20.700	DTPH56-10-G-PHPG26	202,818	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0037-09-01-00	117,766	117,694
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0179-10-01-00	31,187	30,040
			148,953	147,734
State Damage Prevention Program Grants	20.720	DTPH56-10-G-PHPS12	83,800	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-10-G-PHPC20	22,500	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-11-G-PHPC18	21,490	-
			43,990	-
Total Department of Transportation			380,917,851	58,106,867
Department of Treasury				
National Foreclosure Mitigation Counseling Program	21.000	PL111-8:95X1350	346,286	330,881
			346,286	330,881
Total Department of Treasury				
Equal Employment Opportunity Commission				
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	EECCN090067	333,450	-
			333,450	-
Total Equal Employment Opportunity Commission				
General Services Administration				
Donation of Federal Surplus Personal Property	39.003	SFY 11 Federal Surplus Property	3,888,589	3,874,189
Election Reform Payments	39.011	SFY 11	166,116	-
			4,054,705	3,874,189
Total General Services Administration				
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Partnership Agreements	45.025	09-6100-2053	91,400	-
Promotion of the Arts_Partnership Agreements	45.025	10-6100-2046	729,284	556,529
ARRA - Promotion of the Arts_Partnership Agreements	45.025A	09-6188-2098	28,395	-
			849,079	556,529

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Grants to States	45.310	LS-00-09-0029-09	\$ 427,820	\$ 112,782
Grants to States	45.310	LS-00-10-0029-10	1,494,027	736,752
Grants to States	45.310	LS-00-11-0029-11	26	-
Grants to States	45.310	LSTA 2009-21	7,335	-
			1,929,208	849,534
National Leadership Grants	45.312	LG-41-10-0022-10	159	-
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0023-06	27,706	-
			2,806,152	1,406,063
Total National Foundation on the Arts and the Humanities				
Environmental Protection Agency				
State Indoor Radon Grants	66.032	K1-96963511-0	212,771	199,484
Clean School Bus USA	66.036	EM-83296601-0	114,273	20,372
State Clean Diesel Grant Program	66.040	DS-96965801-2	306,920	277,578
ARRA - State Clean Diesel Grant Program	66.040A	2D-00T06801-2	14,892	-
			321,812	277,578
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20610-1	61,991	-
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20611-0	1,694	1,694
Water Pollution Control_State and Interstate Program Support	66.419	I-00T56911-0	3,583	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933606	324,215	25,014
Water Pollution Control_State and Interstate Program Support	66.419	I-98972809	508,978	11,413
			900,461	38,121
State Public Water System Supervision	66.432	F-00910510-1	758,000	96,152
State Underground Water Source Protection	66.433	G-00945611-0	80,000	-
Water Quality Management Planning	66.454	C6-97965910	64,827	40,000
Water Quality Management Planning	66.454	C6-97965911-0	79,913	20,872
ARRA - Water Quality Management Planning	66.454A	2P-00T05209-0	73,113	34,997
			217,853	95,869
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-07	113,075	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-08	1,119,275	973,041
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-10	2,543,295	2,543,295
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458A	2W32000209	13,634,148	13,622,048
			17,409,793	17,138,384

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Nonpoint Source Implementation Grants	66.460	C9-97908107	\$ 219,629	\$ 167,811
Nonpoint Source Implementation Grants	66.460	C9-97908108	142,807	93,659
Nonpoint Source Implementation Grants	66.460	C9-97908109	343,666	281,107
Nonpoint Source Implementation Grants	66.460	C9-97908110	935,984	197,569
Nonpoint Source Implementation Grants	66.460	C9-97908111-0	20,018	17,840
			1,662,104	757,986
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996008	5,653,489	5,582,159
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS99996010	6,578,097	4,677,308
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468A	2F00T04909	7,671,537	7,527,685
			19,903,123	17,787,152
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	CT-96900301	93,814	-
Water Protection Grants to the States	66.474	WP-96957901-1	51,376	49,508
Performance Partnership Grants	66.605	BG-97958808	1,510,829	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83260801	2,759	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83387101	139,612	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83423201-0	5,000	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83466301-0	30,000	-
			177,371	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915410-0	111,743	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915411-0	181,094	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959510-0	4,291	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959511-0	24,993	-
			322,121	-
Multi-media Capacity Building Grants for States and Tribes	66.709	EA-96991101	39,230	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-00T43601-0	23,087	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-00T43701-0	129,930	-
			153,017	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-00T09601-1	\$ 222,066	\$ 70,436
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-00T09401-1	609,642	125,025
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805A	2L-00T20501-0	472,959	-
			1,082,601	125,025
State and Tribal Response Program Grants	66.817	RP-00T10001-1	613,125	-
Environmental Policy and State Innovation Grants	66.940	EI-96901101-2	7,353	-
			45,853,093	36,656,067
Total Environmental Protection Agency				
Department of Energy				
State Energy Program	81.041	DE-EE0003761	159,700	-
State Energy Program	81.041	DE-EE0004471	130,242	75,534
ARRA - State Energy Program	81.041A	DE-EE-0000084	25,606,790	7,885,840
			25,896,732	7,961,374
Weatherization Assistance for Low-Income Persons	81.042	DE-FG26-RO21683	637,365	566,697
ARRA - Weatherization Assistance for Low-Income Persons	81.042A	DE-EE0000081	21,490,342	21,030,875
			22,127,707	21,597,572
Nuclear Waste Disposal Siting	81.065	Yucca Mtn FFY2006 Appropriation Act	952,712	-
Office of Environmental Waste Processing	81.104	DE-EM0001053	557,646	-
Office of Environmental Waste Processing	81.104	DE-FG08-99NV13568	476,898	-
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13567	544,235	-
			1,578,779	-
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122A	DE-OE0000068	92,481	-
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122A	DE-OE0000132	284,207	-
			376,688	-
ARRA - Energy Efficient Appliance Rebate Program (EEARP)	81.127A	DE-EE0001728	1,258,010	-
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128A	DE-EE0000687	585,602	348,399
Miscellaneous Federal Activities Actions	81.502	DE-FG52-00NV13804	982,632	982,632
			53,756,862	30,889,977
Total Department of Energy				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Education				
Early Intervention Services (IDEA) CLUSTER				
Special Education-Grants for Infants and Families	84.181	H181A090019	\$ 1,427,397	\$ -
Special Education-Grants for Infants and Families	84.181	H181A100019	2,213,956	9,816
			3,641,353	9,816
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393A	H393A090019	1,995,070	-
			5,636,423	9,816
Total Early Intervention Services (IDEA) CLUSTER				
Education of Homeless Children and Youth CLUSTER				
Education of Homeless Children and Youth	84.196	S196A080029	958	-
Education of Homeless Children and Youth	84.196	S196A090029	283,643	170,115
Education of Homeless Children and Youth	84.196	S196A100029	113,991	113,991
			398,592	284,106
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387A	S387A090029	239,337	239,337
			637,929	523,443
Total Education of Homeless Children and Youth CLUSTER				
Educational Technology State Grants CLUSTER				
Education Technology State Grants	84.318	S318X090028	490,029	444,589
Education Technology State Grants	84.318	S318X100028	238,210	238,210
			728,239	682,799
ARRA - Education Technology State Grants, Recovery Act	84.386A	S386A090028	360,336	290,139
			1,088,575	972,938
Total Educational Technology State Grants CLUSTER				
Independent Living Services for Older Individual CLUSTER				
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B100028	113,140	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B110028	141,702	-
			254,842	-
ARRA - Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399A	H399A090028	183,695	-
			438,537	-
Total Independent Living Services for Older Individual CLUSTER				
Independent Living State Grants CLUSTER				
Independent Living State Grants	84.169	H169A100013	78,246	-
Independent Living State Grants	84.169	H169A110013	234,268	173,123
			312,514	173,123
ARRA - Independent Living State Grants, Recovery Act	84.398A	H398A090013	80,693	-
			393,207	173,123

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
School Improvement Grants CLUSTER				
School Improvement Grants	84.377	S377A080030	\$ 566,217	\$ 425,114
School Improvement Grants	84.377	S377A090029	97,333	32,646
			663,550	457,760
ARRA - School Improvement Grants, Recovery Act	84.388A	S388A090028	4,068,790	4,068,790
			4,732,340	4,526,550
Total School Improvement Grants CLUSTER				
Special Education CLUSTER				
Special Education_Grants to States	84.027	H027A080043	1,324,072	865,590
Special Education_Grants to States	84.027	H027A090043	23,594,445	22,905,765
Special Education_Grants to States	84.027	H027A100043	37,884,107	36,749,234
			62,802,624	60,520,589
Special Education_Preschool Grants	84.173	H173A080046	228,844	228,844
Special Education_Preschool Grants	84.173	H173A090046	895,714	796,630
Special Education_Preschool Grants	84.173	H173A100046	769,889	737,779
			1,894,447	1,763,253
ARRA - Special Education Grants to States, Recovery Act	84.391A	H391A090043	29,174,854	29,174,854
ARRA - Special Education - Preschool Grants, Recovery Act	84.392A	H392A090046	749,875	749,875
			94,621,800	92,208,571
Total Special Education CLUSTER				
Title I, Part A CLUSTER				
Title I Grants to Local Educational Agencies	84.010	S010A080028	358,780	262,778
Title I Grants to Local Educational Agencies	84.010	S010A090028	34,076,575	33,179,788
Title I Grants to Local Educational Agencies	84.010	S010A100028	62,948,676	62,923,750
			97,384,031	96,366,316
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389A	S389A090028	34,152,567	34,092,190
			131,536,598	130,458,506
Total Title I, Part A CLUSTER				
Vocational Rehabilitation CLUSTER				
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A100041	7,583,348	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A110041	6,233,871	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST09	164,164	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST10	863,946	-
			14,845,329	-
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	84.390A	H390A090041	2,525,279	-
			17,370,608	-
Total Vocational Rehabilitation CLUSTER				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Adult Education_State Grant Program	84.002	V002A090028	\$ 348,055	\$ 273,495
Adult Education_State Grant Program	84.002	V002A100028	5,063,648	4,960,151
			5,411,703	5,233,646
Migrant Education_State Grant Program	84.011	S011A080028	58,016	4,285
Migrant Education_State Grant Program	84.011	S011A090028	141,013	89,728
Migrant Education_State Grant Program	84.011	S011A100028	19,474	19,474
			218,503	113,487
Title I Program for Neglected and Delinquent Children	84.013	S013A080028	225	-
Title I Program for Neglected and Delinquent Children	84.013	S013A090028	183,356	62,477
Title I Program for Neglected and Delinquent Children	84.013	S013A100028	112,719	87,523
			296,300	150,000
Career and Technical Education_Basic Grants to States	84.048	V048A080028	19,622	19,622
Career and Technical Education_Basic Grants to States	84.048	V048A090028	2,155,274	1,428,127
Career and Technical Education_Basic Grants to States	84.048	V048A100028	5,878,803	5,769,032
			8,053,699	7,216,781
Leveraging Educational Assistance Partnership	84.069	P069A100029	92,260	92,260
Leveraging Educational Assistance Partnership	84.069	P069B100029	68,146	68,146
			160,406	160,406
Migrant Education_Coordination Program	84.144	S144F080028	24,419	9,696
Migrant Education_Coordination Program	84.144	S144F090028	120,368	120,088
			144,787	129,784
Rehabilitation Services_Client Assistance Program	84.161	H161A100029	45,692	-
Rehabilitation Services_Client Assistance Program	84.161	H161A110029	72,631	-
			118,323	-
Byrd Honors Scholarships	84.185	P185A090030	191,327	191,327
Byrd Honors Scholarships	84.185	P185A100030	131,174	131,174
			322,501	322,501
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A080029	30,873	6,089
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A090029	699,224	615,450
			730,097	621,539

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A100042	\$ 178,783	\$ -
Even Start_State Educational Agencies	84.213	S213A090029	167,306	159,209
Even Start_State Educational Agencies	84.213	S213A100029	240,836	225,920
			408,142	385,129
Assistive Technology	84.224	H224A090028	50,512	28,576
Assistive Technology	84.224	H224A100028	287,267	260,425
			337,779	289,001
Tech-Prep Education	84.243	V243A090028	52,053	52,053
Tech-Prep Education	84.243	V243A100028	478,910	452,536
			530,963	504,589
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service	84.265	H265A050017	19,411	-
Twenty-First Century Community Learning Centers	84.287	S287A080028	77,183	52,623
Twenty-First Century Community Learning Centers	84.287	S287A090028	2,578,497	2,374,216
Twenty-First Century Community Learning Centers	84.287	S287A100028	4,251,330	4,251,330
			6,907,010	6,678,169
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A070024	585,666	317,357
Advanced Placement Program	84.330	S330B1000025	268,062	12,772
Advanced Placement Program	84.330	S330B1100009	280,380	-
			548,442	12,772
Grants to States for Incarcerated Youth Offenders	84.331	Q331A080029	38,941	-
Grants to States for Incarcerated Youth Offenders	84.331	Q331A090029	95,600	-
			134,541	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S060002	1,579,203	1,285,285
Reading First State Grants	84.357	S357A080029	459,864	428,679
English Language Acquisition Grants	84.365	S365A080028	205,784	160,124
English Language Acquisition Grants	84.365	S365A090028	2,518,584	2,415,878
English Language Acquisition Grants	84.365	S365A100028	5,183,742	5,183,742
			7,908,110	7,759,744

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Mathematics and Science Partnerships	84.366	S366A080029	\$ 26,738	\$ 18,516
Mathematics and Science Partnerships	84.366	S366A090029	751,248	680,301
Mathematics and Science Partnerships	84.366	S366B100029	449,366	444,792
			1,227,352	1,143,609
Improving Teacher Quality State Grants	84.367	S367A090027	3,433,221	3,066,074
Improving Teacher Quality State Grants	84.367	S367A100027	9,798,100	9,673,607
			13,231,321	12,739,681
Grants for Enhanced Assessment Instruments	84.368	S368A080005	250,995	-
Grants for State Assessments and Related Activities	84.369	S369A090029	3,626,998	-
Grants for State Assessments and Related Activities	84.369	S369A100029	1,493,533	-
			5,120,531	-
Striving Readers	84.371	S371B100025	52,263	-
ARRA - Education Jobs Fund	84.410A	S410A100029	38,613,427	38,560,898
			350,006,139	312,926,004
Total Department of Education				
National Archives and Records Administration				
National Historical Publications and Records Grants	89.003	NAR09-RC-10064-09	15,467	-
National Historical Publications and Records Grants	89.003	NAR10-RC-10090-10	1,365	-
			16,832	-
			16,832	-
Total National Archives and Records Administration				
Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	HAVA - SFY 10	380,999	-
Help America Vote Mock Election Program	90.402	E4058798C	5,226	-
			386,225	-
Total Election Assistance Commission				
Department of Health and Human Services				
Aging CLUSTER				
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	09AANVT3SP	6,639	6,639
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	10AANVT3SP	3,046,770	2,953,207
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	11AANVT3SP	681,788	401,099
			3,735,197	3,360,945

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	09AANVT3SP	\$ 166,482	\$ 166,482
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	10AANVT3SP	2,169,981	1,928,503
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	11AANVT3SP	1,844,037	1,200,896
			4,180,500	3,295,881
Nutrition Services Incentive Program	93.053	09AANVT3SP	23,430	23,430
Nutrition Services Incentive Program	93.053	10AANVNSIP	268,634	268,634
Nutrition Services Incentive Program	93.053	11AANVNSIP	490,917	490,917
Nutrition Services Incentive Program	93.053	Food Commodities	78,765	78,765
			861,746	861,746
ARRA - Aging Home-Delivered Nutrition Services for States	93.705A	09AANVC2RR	816	816
ARRA - Aging Congregate Nutrition Services for States	93.707A	09AANVC1RR	10,097	9,893
			8,786,356	7,529,281
Total Aging CLUSTER				
CCDF CLUSTER				
Child Care and Development Block Grant	93.575	G1001NVCCDF	11,355,330	-
Child Care and Development Block Grant	93.575	G1101NVCCDF	8,839,599	572,539
			20,194,929	572,539
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1001NVCCDF	5,521,388	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1101NVCCDF	12,342,194	-
			17,863,582	-
ARRA - Child Care and Development Block Grant	93.713A	G0901NVCCD7	5,936,966	-
			43,995,477	572,539
Total CCDF CLUSTER				
CSBG CLUSTER				
Community Services Block Grant	93.569	G-10B1NVCCOSR	2,974,570	2,859,616
Community Services Block Grant	93.569	G-11B1NVCCOSR	1,478,168	1,410,406
			4,452,738	4,270,022
ARRA - Community Services Block Grants	93.710A	G-0901NVCCOS2	946,935	946,935
			5,399,673	5,216,957

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Head Start CLUSTER				
Head Start	93.600	09CD0009/03	\$ 92,925	\$ 72,085
Head Start	93.600	09CD0013/01	49,876	11,301
			142,801	83,386
ARRA - Head Start	93.708A	90SC0018/01	63,753	34,804
			206,554	118,190
Total Head Start CLUSTER				
Immunization CLUSTER				
Immunization Grants	93.268	5H231P922549-07	352	-
Immunization Grants	93.268	5H231P922549-08	1,585,830	886,218
Immunization Grants	93.268	5H231P922549-09	1,175,838	698,999
Immunization Grants	93.268	Direct Assistance	30,441,189	-
			33,203,209	1,585,217
ARRA - Immunization	93.712A	3H231P922549-07S1	484,243	-
			33,687,452	1,585,217
Total Immunization CLUSTER				
Medicaid CLUSTER				
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720A	05-1005-NV-5ASC	106,901	-
State Medicaid Fraud Control Units	93.775	01-1001-NV-5050	187,071	-
State Medicaid Fraud Control Units	93.775	01-1101-NV-5050	1,023,725	-
			1,210,796	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1005-NV-5000	390,273	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1005-NV-5002	27,312	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1105-NV-5000	1,762,652	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1105-NV-5002	104,971	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1105NV5001	879,645	-
			3,164,853	-
Medical Assistance Program	93.778	05-1005NVQUAL	933,875	-
Medical Assistance Program	93.778	05-1105NV5ADM	47,679,016	-
Medical Assistance Program	93.778	05-1105NV5MAP	632,124,166	-
Medical Assistance Program	93.778	05-1105NVQUAL	931,315	-
Medical Assistance Program	93.778	5-1005NV5ADM	5,983,349	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Medical Assistance Program	93.778	5-1005NV5MAP	\$ 183,543,806	\$ -
ARRA - Medical Assistance Program	93.778A	05-1005NVARRA (MAP)	45,284,480	-
ARRA - Medical Assistance Program	93.778A	05-1005NVMDSH	2,302,456	-
ARRA - Medical Assistance Program	93.778A	05-1105NVARRA	45,064,944	-
ARRA - Medical Assistance Program	93.778A	05-1105NVEXTN	64,774,688	-
ARRA - Medical Assistance Program	93.778A	5-1005NVHITA	715,499	-
			1,029,337,594	-
			1,033,820,144	-
Total Medicaid CLUSTER				
TANF CLUSTER				
Temporary Assistance for Needy Families	93.558	G-1002NVTANF	30,680,676	-
Temporary Assistance for Needy Families	93.558	G-1102NVTANF	23,415,439	-
			54,096,115	-
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714A	G1001NVTAN2	722,123	-
ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716A	G1002NVTAN2	3,583,534	-
			58,401,772	-
Total TANF CLUSTER				
Special Programs for the Aging Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	10AANVT7SP	13,471	5,042
Special Programs for the Aging Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	11AANVT7SP	26,162	-
			39,633	5,042
Special Programs for the Aging Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	09AANVT7SP	1,918	1,918
Special Programs for the Aging Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	10AANVT7SP	40,022	15,689
Special Programs for the Aging Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	11AANVT7SP	76,796	1,899
			118,736	19,506
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	93.043	10AANVT3SP	146,353	146,353
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	93.043	11AANVT3SP	5,880	5,880
			152,233	152,233

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90DR0042/01	\$ 61,723	\$ 12,099
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90DR0042/02	210,962	53,278
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90MP0019/02	132,473	-
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90MP0019/03	7,466	-
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90MP0043/01	890	-
			413,514	65,377
Alzheimer's Disease Demonstration Grants to States	93.051	90AE0333/01	237,466	223,700
National Family Caregiver Support	93.052	10AANVT3SP	820,352	677,098
National Family Caregiver Support	93.052	11AANVT3SP	184,927	155,136
			1,005,279	832,234
Public Health Emergency Preparedness	93.069	1H75TP000337-01	3,034,556	2,669,934
Public Health Emergency Preparedness	93.069	3U90TP916964-10S1	5,915,297	4,407,965
Public Health Emergency Preparedness	93.069	5U90TP916964-10	1,759,816	1,191,415
			10,709,669	8,269,314
Medicare Enrollment Assistance Program	93.071	09AANVMIDR	91,453	91,453
Medicare Enrollment Assistance Program	93.071	09AANVMIPP	35,516	20,196
			126,969	111,649
Lifespan Respite Care Program	93.072	90LR0012/01	73,118	70,624
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0012/03	165,521	153,758
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU001204	467,005	421,931
			632,526	575,689
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	1 ESREP100015-01-00	88,661	-
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	6 U3REP090401-01-02	10,212	10,212
			98,873	10,212
Maternal and Child Health Federal Consolidated Programs	93.110	1H5MMC10872-01-00	348,698	32,790
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-17-02	37,997	-
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-18-01	55,692	-
			442,387	32,790

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2U52PS907855-19	\$ 397,401	\$ 321,574
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS907855-20	201,987	146,810
			599,388	468,384
Emergency Medical Services for Children	93.127	5 H33MC06694-06-00	8,353	-
Emergency Medical Services for Children	93.127	6 H33MC06694-05-02	64,485	5,000
			72,838	5,000
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM060029-09	111,058	105,392
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM060029-10	312,556	306,763
			423,614	412,155
State Data Collection_Uniform Alcohol and Drug Abuse Data	93.179	283-02-9026	167,805	-
Family Planning_Services	93.217	6-FPHPA091175-35-01	618,654	73,304
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1HR1SM059986-01	9,720	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5HR1SM058080-03	173,870	95,755
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5U79SM059187	475,988	308,956
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	U79SP11179-05	1,083,646	660,242
			1,743,224	1,064,953
Universal Newborn Hearing Screening	93.251	5 H61MC000996-08	15,082	1,378
Universal Newborn Hearing Screening	93.251	5 H61MC000996-09-00	204,600	23,868
			219,682	25,246
State Health Access Program	93.256	6 H2PHS16503-01-01	292,881	278,573
State Health Access Program	93.256	6 H2PHS16503-02-01	2,256,691	1,690,025
			2,549,572	1,968,598
Adult Viral Hepatitis Prevention and Control	93.270	5U51PS000874-04	13,529	7,435
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U50CI000862-01	108,069	10,924
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58DP002054-01	515,646	223,297
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58SO000035-01	251,715	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	3U50C1000489-03S4	266,444	168,729

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	3U50CI000489-03S2	\$ 51,318	\$ 48,411
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	3U58DP002003-02S3	1,154	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5 U50CI000489-03S3	486,278	283,289
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U51PS000874-03	36,896	29,988
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP000804-03	30,599	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP000804-04	3,523,120	119,996
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP000804-05	428	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP001535-02	19,264	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP001535-03	267,827	44,858
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP002003-02	1,258,308	605,152
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP002003A	153,585	63,312
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5UR3DD000411-03	178,298	32,314
			7,147,949	1,630,270
State Partnership Grant Program to Improve Minority Health	93.296	1 STTMP101071-01-00	66,694	-
ARRA - State Primary Care Offices	93.414A	1 U6AHP16573-01-00	1,763	-
ARRA - State Primary Care Offices	93.414A	1 U6AHP16573-02-02	21,205	-
			22,968	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	6 X02MC19408-01-01	167,446	-
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	1U58CD001288-01	39,158	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	1 IPRPR100041-01-00	185,624	-
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	10AANVMAA	6,606	-
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	10AANVMADR	22,210	22,196
			28,816	22,196

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Through Number	Award or Pass-	Through Number	Expenditures	Payments to Subrecipients
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	CAPCA110003-01-00	\$	86,753	\$	-
Centers for Disease Control and Prevention - Affordable Care Act (ACA)-Communities Putting Prevention to Work	93.520	3U58DP002003-02S2		12,792		-
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	1U50C1000900-01		109,772		103,417
The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	3U62PS001038-03W1		75,576		-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	1 HBEIE100022-01-00		304,820		-
Promoting Safe and Stable Families	93.556	G-0901NVFPSS		765,939		742,868
Promoting Safe and Stable Families	93.556	G-0911NVFPCV		22,428		17,878
Promoting Safe and Stable Families	93.556	G-1001NVFPSS		843,555		772,976
Promoting Safe and Stable Families	93.556	G-1011NVFPCV		69,323		61,060
				1,701,245		1,594,782
Child Support Enforcement	93.563	0704NV4004		68,575		68,089
Child Support Enforcement	93.563	0904NV4004		2,397,574		1,949,323
Child Support Enforcement	93.563	1004NV4004		5,665,826		3,180,326
Child Support Enforcement	93.563	1104NV4004		29,041,937		20,983,893
ARRA - Child Support Enforcement	93.563A	0904NV4002		3,431,673		3,197,868
				40,605,585		29,379,499
Low Income Home Energy Assistance	93.568	G-10B1NVLIEA		7,646,842		-
Low Income Home Energy Assistance	93.568	G-11B1NVLIEA		13,073,038		291,648
				20,719,880		291,648
State Court Improvement Program	93.586	G-0801NVSCID		67,256		-
State Court Improvement Program	93.586	G-0801NVSCIT		35,087		-
State Court Improvement Program	93.586	G-0901NVSCID		132,130		-
State Court Improvement Program	93.586	G-0901NVSCIP		103,096		-
State Court Improvement Program	93.586	G-0901NVSCIT		132,285		-
State Court Improvement Program	93.586	G-1001NVSCID		19,315		-
State Court Improvement Program	93.586	G-1001NVSCIP		95,925		-
State Court Improvement Program	93.586	G-1001NVSCIT		6,681		-
				591,775		-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Community-Based Child Abuse Prevention Grants	93.590	1001NVFRPG	\$ 303,731	\$ 275,852
Grants to States for Access and Visitation Programs	93.597	0901NVSAVP	21,754	-
Grants to States for Access and Visitation Programs	93.597	1001NVSAVP	62,562	-
			84,316	-
Chafee Education and Training Vouchers Program (ETV)	93.599	G-0901NVCETV	147,768	146,991
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1001NVCETV	352,249	349,725
			500,017	496,716
Adoption Incentive Payments	93.603	0901NVAIPP	22,425	-
Adoption Incentive Payments	93.603	1001NVAIPP	39,936	13,551
			62,361	13,551
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0603NVVOTE	56,155	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0901NVADBS	189,222	52,817
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-1001NVADBS	207,277	157,863
			396,499	210,680
Children's Justice Grants to States	93.643	G-0801NVCJA1	92,490	63,551
Children's Justice Grants to States	93.643	G-0901NVCJA1	104,379	40,612
			196,869	104,163
Child Welfare Services_State Grants	93.645	G-0901NV1400	599,671	62,005
Child Welfare Services_State Grants	93.645	G-1001NV1400	606,251	62,005
Child Welfare Services_State Grants	93.645	G-1101NV1400	1,849,360	186,014
			3,055,282	310,024
Foster Care_Title IV-E	93.658	1001NV1401	6,931,254	6,931,254
Foster Care_Title IV-E	93.658	1101NV1401	27,847,036	25,179,602
ARRA - Foster Care_Title IV-E	93.658A	1001NV1402	425,792	425,792
ARRA - Foster Care_Title IV-E	93.658A	1101NV1402	374,132	262,842
ARRA - Foster Care_Title IV-E	93.658A	1101NV1404	320,495	218,176
			35,898,709	33,017,666
Adoption Assistance	93.659	1101NV1407	14,332,581	13,428,886
ARRA - Adoption Assistance	93.659A	1001NV1403	467,737	430,194
ARRA - Adoption Assistance	93.659A	1101NV1403	411,325	405,843
ARRA - Adoption Assistance	93.659A	1101NV1405	372,240	366,295
			15,583,883	14,631,218

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Social Services Block Grant	93.667	0901NVSOS2	\$ 1,831,187	\$ 1,806,059
Social Services Block Grant	93.667	1001NVSOSR	3,782,892	177,088
Social Services Block Grant	93.667	1101NVSOSR	11,158,221	1,391,407
			16,772,300	3,374,554
Child Abuse and Neglect State Grants	93.669	G-0701NVCA01	113,146	109,218
Child Abuse and Neglect State Grants	93.669	G-0801NVCA01	78,074	11,611
			191,220	120,829
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0901NVFVPS	215,524	215,028
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1001NVFVPS	862,684	826,330
			1,078,208	1,041,358
Chafee Foster Care Independence Program	93.674	G-0901NV1420	538,310	538,039
Chafee Foster Care Independence Program	93.674	G-1001NV1420	814,067	760,319
			1,352,377	1,298,358
ARRA - Preventing Healthcare-Associated Infections	93.717A	3U50C1000489-03S1	117,638	14,612
ARRA - State Grants to Promote Health Information Technology	93.719A	90HT0037/01	434,211	-
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723A	3U58DP002003-01S2	253,813	-
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723A	3U58DP002003-01S3	199,216	186,757
			453,029	186,757
ARRA - Prevention and Wellness	93.724A	3U58DP002003-02W1	110,885	-
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725A	90RA0042/01	85,043	75,061
State Children's Insurance Program	93.767	05-0805NV5021	5,747,900	-
State Children's Insurance Program	93.767	05-1005NV5021	18,437,639	-
			24,185,539	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities		93.768	1QAC30324B	468,481	153,655
National Bioterrorism Hospital Preparedness Program		93.889	1 U3REP080068-01	113,666	113,658
National Bioterrorism Hospital Preparedness Program		93.889	1 U3REP090211-01	300,424	300,424
National Bioterrorism Hospital Preparedness Program		93.889	1 U3REP090220-01	6,101	6,101
National Bioterrorism Hospital Preparedness Program		93.889	1 U3REP90220-02	3,399,881	2,076,783
				3,820,072	2,496,966
HIV Care Formula Grants		93.917	1 X08HA19854-01-00	138,201	138,201
HIV Care Formula Grants		93.917	2 X07HA00001-21-00	930,046	797,107
HIV Care Formula Grants		93.917	6 X07HA00001-20-01	6,269,493	5,744,428
				7,337,740	6,679,736
Special Projects of National Significance		93.928	4 H97HA10567-01	31,980	-
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		93.938	U87/DP001227-03	135,564	53,592
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		93.938	U87/DP001227-04	58,668	-
				194,232	53,592
HIV Prevention Activities_Health Department Based		93.940	2U62PS923483-06	1,537,999	1,215,536
HIV Prevention Activities_Health Department Based		93.940	5U62PS923483-07	1,274,605	1,023,977
				2,812,604	2,239,513
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	3U62PS001038-03S1	53,800	-
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	5U62PS001038-03	233,395	150,968
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	5U62PS001038-04	218,545	118,166
				505,740	269,134
Block Grants for Community Mental Health Services		93.958	3B09SM010039-09	173,576	-
Block Grants for Community Mental Health Services		93.958	3B09SM010039-10	3,309,209	297,278
				3,482,785	297,278
Block Grants for Prevention and Treatment of Substance Abuse		93.959	3B08T1010039-09S3	18,302	-
Block Grants for Prevention and Treatment of Substance Abuse		93.959	3B08T1010039-10S3	7,204,767	5,766,861
Block Grants for Prevention and Treatment of Substance Abuse		93.959	3B08T1010039-11	5,674,637	5,495,799
				12,897,706	11,262,660

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS001382-02	\$ 413,350	\$ 381,831
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS001382-03	307,980	289,974
			721,330	671,805
Preventive Health and Health Services Block Grant	93.991	3B01DP009040-10W1	273,115	13,886
Preventive Health and Health Services Block Grant	93.991	3B01DP009040-19W1	210,280	29,878
			483,395	43,764
Maternal and Child Health Services Block Grant to the States	93.994	6 B04MC17025-01-04	1,360,980	77,467
Maternal and Child Health Services Block Grant to the States	93.994	6B04MC21394-01-05	188,860	18,268
			1,549,840	95,735
			1,411,848,167	141,872,678
Total Department of Health and Human Services				
Social Security Administration				
Disability Insurance/SSI CLUSTER				
Social Security_Disability Insurance	96.001	04-0904NVDI00	201,006	-
Social Security_Disability Insurance	96.001	04-1004NVDI00	3,927,359	-
Social Security_Disability Insurance	96.001	04-1104NVDI00	11,276,023	-
			15,404,388	-
			15,404,388	-
			15,404,388	-
Total Disability Insurance/SSI CLUSTER				
Total Social Security Administration				
Department of Homeland Security				
Homeland Security CLUSTER				
Homeland Security Grant Program	97.067	2006-GE-T6-0029	827,548	419,740
Homeland Security Grant Program	97.067	2007-GE-T7-0010	4,591,581	4,210,852
Homeland Security Grant Program	97.067	2008-GE-T8-0030	6,368,968	5,503,377
Homeland Security Grant Program	97.067	2009-SS-T9-0009	5,282,627	3,873,369
Homeland Security Grant Program	97.067	2010-SS-TO-0007	1,182,451	770,387
			18,253,175	14,777,725
			18,253,175	14,777,725
Total Homeland Security CLUSTER				
Boating Safety Financial Assistance	97.012	11.01.32	597,465	-
Boating Safety Financial Assistance	97.012	20.01.32	10,266	-
			607,731	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2007-PC-0003	\$ 72,423	\$ 72,423
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2010-GR-1004	58,406	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2011-GR-1104	26,038	-
			84,444	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMF-2004-MP-4006	51	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR	1,033,378	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR	141,347	141,107
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1738-DR	62,983	62,971
			1,237,759	204,078
Hazard Mitigation Grant	97.039	EMF-2004-MP-4006	37,065	-
Hazard Mitigation Grant	97.039	FEMA-1629-DR	365,392	355,313
Hazard Mitigation Grant	97.039	FEMA-1738-DR	11,100	6,176
			413,557	361,489
National Dam Safety Program	97.041	2009-RC-55-0026	72,115	-
National Dam Safety Program	97.041	2010-RC-50-0042	28,947	-
			101,062	-
Emergency Management Performance Grants	97.042	2009-EP-E9-0018	419,604	-
Emergency Management Performance Grants	97.042	2010-EP-EX-0033	3,616,686	2,310,386
			4,036,290	2,310,386
State Fire Training Systems Grants	97.043	2009-RB-63-0041	2,140	-
State Fire Training Systems Grants	97.043	2010-RB-63-0042	17,307	-
			19,447	-
Cooperating Technical Partners	97.045	EMF-2010-GR-1008	73,420	-
Fire Management Assistance Grant	97.046	2822FMNVP00000001	217,840	-
Fire Management Assistance Grant	97.046	2847FMNVP00000001	102,628	-
			320,468	-
Pre-Disaster Mitigation	97.047	EMF-2008-PC-0004	5,946	-
Pre-Disaster Mitigation	97.047	EMF-2010-PC-0004	724	-
			6,670	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Emergency Operations Centers	97.052	2010-EO-MX-0012	\$ 265	\$ -
Interoperable Emergency Communications	97.055	2008-IO-T8-0003	70,073	45,684
Interoperable Emergency Communications	97.055	2009-IP-T9-0022	121,663	107,709
Interoperable Emergency Communications	97.055	2010-IP-TO-0055	28,311	25,306
			220,047	178,699
Rail and Transit Security Grant Program	97.075	2007-RL-T7-0103	30,448	30,448
Buffer Zone Protection Plan (BZPP)	97.078	2007-BZ-T7-0010	73,432	73,432
Buffer Zone Protection Plan (BZPP)	97.078	2008-BZ-T8-0026	3,144	2,082
Buffer Zone Protection Plan (BZPP)	97.078	2009-BF-T9-0002	1,062	-
			77,638	75,514
Real ID Program	97.089	2008 IDT 80019	620,617	-
Real ID Program	97.089	2009-ID-MX-0009	83,485	-
Real ID Program	97.089	2010-DL-TO-0019-A	280,667	-
			984,769	-
Total Department of Homeland Security			26,539,613	18,010,762
Total Expenditures of Federal Awards			4,947,463,699	824,202,223

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting – The accompanying Schedule of Expenditures of Federal Awards is used as a managerial tool by the State Controller’s Office, primarily to monitor compliance with the Cash Management Improvement Act. As such, the Schedule separately identifies the expenditures for each Federal program at the grant award level. The Schedule has been prepared on the modified accrual basis of accounting.

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

- 2. NATIONAL SCHOOL LUNCH PROGRAM (10.555)
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (10.559)
CHILD AND ADULT CARE FOOD PROGRAM (10.558)
COMMODITY SUPPLEMENTAL FOOD PROGRAM (10.565)
FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS (10.567)
EMERGENCY FOOD ASSISTANCE PROGRAM (10.569)
ARRA - EMERGENCY FOOD ASSISTANCE PROGRAM (10.569A)
NUTRITION SERVICES INCENTIVE PROGRAM (93.053)

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

3. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (10.551)

The expenditures reported for the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) consist of the value of the benefits transferred to program participants through the EBT system.

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

4. UNEMPLOYMENT INSURANCE PROGRAM (17.225 and 17.225A)

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

State Funds	\$1,120,430,417
State Funds - ARRA	644,087,203
Federal Funds	40,406,000
Federal Funds - ARRA	<u>5,856,601</u>
Total Reported	<u>\$1,810,780,221</u>

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

5. IMMUNIZATION GRANTS PROGRAM (93.268)

The expenditures for this program include vaccines received in lieu of cash. The direct assistance has been estimated at the budgeted amounts since actual amounts were not available.

6. SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (10.557)

The expenditures for this program include the cost of food vouchers in the amount of \$30,244,106.

7. DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY PROGRAM (39.003)

The amounts recorded for donated surplus property represent the total value of property received from the Federal Government.

8. DISCLOSURE OF AMERICAN RECOVERY AND REINVESTMENT ACT EXPENDITURES

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the basic financial statements of the State of Nevada for the year ended June 30, 2011.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which were material to the financial statements of the State of Nevada.
4. Significant deficiencies, not identified as material weaknesses, in the internal control over major Federal award programs were disclosed.
5. The Auditor's report on compliance with the major Federal award programs for the State of Nevada expresses an unqualified opinion.
6. Audit findings relative to the major Federal award programs for the State of Nevada, which are required to be reported under Section .510(a) of OMB Circular A-133, are reported in Part C of this Schedule.
7. The programs tested as major programs included:

U.S. Department of Agriculture:

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553

National School Lunch Program, CFDA 10.555

Special Milk Program for Children, CFDA 10.556

Summer Food Service Program for Children, CFDA 10.559

Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557

U.S. Department of Justice:

Violence Against Women Formula Grants:

Violence Against Women Formula Grants, CFDA 16.588

ARRA – Violence Against Women Formula Grants, CFDA 16.588A

U.S. Department of Labor:

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258

ARRA – WIA Adult Program, CFDA 17.258A

WIA Youth Activities, CFDA 17.259

ARRA – WIA Youth Activities, CFDA 17.259A

WIA Dislocated Workers, CFDA 17.260

ARRA – WIA Dislocated Workers, CFDA 17.260A

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Transportation:

Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219

U.S. Environmental Protection Agency:

Capitalization Grants for Clean Water State Revolving Funds:
Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458
ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A
Capitalization Grants for Drinking Water State Revolving Funds:
Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
ARRA – Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

U.S. Department of Energy:

State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A
Weatherization Assistance for Low-Income Persons:
Weatherization Assistance for Low-Income Persons, CFDA 81.042
ARRA – Weatherization Assistance for Low-Income Persons, CFDA 81.042A

U.S. Department of Education:

Early Intervention Services (IDEA) Cluster:
Special Education–Grants for Infants and Families with Disabilities, CFDA 84.181
ARRA – Special Education–Grants for Infants and Families, Recovery Act, CFDA 84.393A
School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A
Special Education Cluster:
Special Education_Grants to States, CFDA 84.027
Special Education_Preschool Grants, CFDA 84.173
ARRA – Special Education_Grants to States, CFDA 84.391A
ARRA – Special Education _ Preschool Grants, CFDA 84.392A
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010
ARRA – Title I Grants to LEAs, CFDA 84.389A
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act,
CFDA 84.390A
ARRA – Education Jobs Fund, CFDA 84.410A

U.S. Department of Health and Human Services:

Child Care and Development Fund (CCDF) Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Grant,
CFDA 93.596
ARRA – Child Care and Development Block Grant, CFDA 93.713A

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Community Services Block Grant (CSBG) Cluster:

Community Services Block Grant, CFDA 93.569

ARRA – Community Services Block Grant, CFDA 93.710A

Immunization Cluster:

Immunization Grants, CFDA 93.268

ARRA – Immunization, CFDA 93.712A

Medicaid Cluster:

ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative, CFDA 93.720A

State Medicaid Fraud Control Units, CFDA 93.775

State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777

Medical Assistance Program, CFDA 93.778

ARRA – Medical Assistance Program, CFDA 93.778A

Child Support Enforcement:

Child Support Enforcement, CFDA 93.563

ARRA – Child Support Enforcement, CFDA 93.563A

Foster Care:

Foster Care_Title IV-E, CFDA 93.658

ARRA – Foster Care_Title IV-E, CFDA 93.658A

Adoption Assistance:

Adoption Assistance, CFDA 93.659

ARRA –Adoption Assistance, CFDA 93.659A

Social Services Block Grant, CFDA 93.667

Social Security Administration:

Disability Insurance/Social Security Insurance (SSI) Cluster:

Social Security_ Disability Insurance, CFDA 96.001

U.S. Department of Homeland Security:

Homeland Security Cluster:

Homeland Security Grant Program, CFDA 97.067

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2011, was \$14,842,391.
9. The State of Nevada qualified as a low risk auditee for the year ended June 30, 2011 under the criteria set forth in Section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statement audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

See pages 122 through 288.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 11-1:

Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 20.205 and 20.205A (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> requires that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor and subcontractors comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5.5(a)(3)(ii)(A), “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor and subcontractors to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).
<i>Condition and Context:</i>	Our testing of construction contracts included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel for three contractors and their subcontractors. Certified weekly payrolls were submitted in all instances except one, in which a subcontractor payroll was missing. For those that were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.
<i>Questioned Cost:</i>	None.
<i>Effect:</i>	Material noncompliance with the Davis-Bacon Act by a contractor or subcontractor could occur and not be detected or followed up on by the Nevada Department of Transportation in a timely manner.
<i>Cause:</i>	Adequate control procedures were not in place to ensure that all required certified payrolls were timely received as prescribed by the Davis-Bacon Act.

Recommendation:

We recommend that the Nevada Department of Transportation enhance procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act.

Management's Response:

See management's response on page 127.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 11-2:

Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

Grant Award Number: Potentially affects all grant awards included under CFDA 20.205 and 20.205A (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

Criteria: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. Management decision is the evaluation of audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

Condition and Context: As part of our audit procedures, we tested a sample of subrecipients to verify that the Nevada Department of Transportation ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that audit reports for three of the nine subrecipients tested included audit findings related to the Highway Planning and Construction Cluster, and the Nevada Department of Transportation did not issue management decisions for those findings or monitor the corrective action plan.

Questioned Costs: None.

Effect: Noncompliance at the subrecipient level may continue to occur if the Nevada Department of Transportation does not issue management decisions and monitor the corrective action plan.

Cause: The Nevada Department of Transportation does not have adequate procedures in place to ensure that management decisions are issued for subrecipient audit findings and to monitor the corrective action plan.

Recommendation: We recommend the Nevada Department of Transportation implement procedures to ensure management decisions for subrecipient audit findings and monitor the corrective action plan.

Management's Response: See management's response on page 127.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 11-3:

Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

Grant Award Number: Potentially affects all grant awards included under CFDA 20.205 and 20.205A (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the Nevada Department of Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Condition and Context: Our procedures included reviewing documentation of test results to verify that tests were being performed in accordance with the quality assurance program. Two of 13 Federally funded construction projects completed during the year were tested. One of the projects required seven types of tests to be performed at varying frequencies. Documentation that quality assurance testing was performed for four types of those tests could not be located, although the Nevada Department of Transportation represented that they had been performed. Additionally, there was not adequate support that an appropriate number of tests were performed for the remaining three types of tests. As a result, we were unable to verify that the proper type and number of tests were made in accordance with the quality assurance program.

Questioned Cost: None.

Effect: Noncompliance with the quality assurance program could result in construction project deficiencies not being identified in a timely manner.

Cause: Adequate procedures were not in place to ensure that all required tests were performed as prescribed by the quality assurance program and that evidence of testing performed is retained.

Recommendation:

We recommend that the Nevada Department of Transportation enhance procedures to ensure that all required tests are performed as prescribed by the quality assurance program and that evidence of the testing performed is retained.

Management's Response:

See management's response on page 128.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION

1263 S. Stewart Street
Carson City, Nevada 89712

SUSAN MARTINOVICH, P.E., Director

In Reply Refer to:

March 8, 2012

Ms. Grace Speicher, Financial Manager
Federal Highway Administration
705 North Plaza Street, Suite 220
Carson City, NV 89701

Dear Ms. Speicher:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of the Highway Planning and Construction Cluster, CFDA 20.205, administered by the Nevada Department of Transportation for fiscal year ended June 30, 2011. Kafoury, Armstrong's findings 11-01, 11-02 and 11-03 concern the Nevada Department of Transportation.

Finding 11-01 resulted in the following recommendation:

"We recommend that the Nevada Department of Transportation enhance procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act."

Nevada Department of Transportation Response:

The Nevada Department of Transportation accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-01:

We are revising our procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act. The Resident Engineers and their staff will monitor the electronic payroll submission system to confirm that subcontractors that physically perform work on a project have submitted a weekly certified payroll. Any discrepancy in the submission of certified payrolls will be investigated, and in instances where certified payroll violations occur, the bi-weekly progress payment may be withheld, unless immediate action is taken to correct the violation. We will have these procedures implemented by June 30, 2012. This will be done under the supervision of the District Engineers with oversight and technical guidance provided by Jeff Shapiro, Chief Construction Engineer and Yvonne Schuman, Civil Rights Officer.

Finding 11-02 resulted in the following recommendation:

"We recommend that the Nevada Department of Transportation implement procedures to ensure management decisions for subrecipient audit findings and monitor the corrective action plan."

Nevada Department of Transportation Response:

The Nevada Department of Transportation accepts this finding and will initiate corrective action as noted below.

Corrective Action for Finding 11-02:

We are revising our procedures to ensure that the Department of Transportation issues management decisions and monitors the corrective action plans of the single audit reports submitted by the sub-recipients. We will have this completed by September 30, 2012. This will be done under the supervision of David Olsen, Chief Accountant and Sandeep Garg, Chief Auditor.

Finding 11-03 resulted in the following recommendation:

"We recommend that the Nevada Department of Transportation enhance procedures to ensure that all required tests are performed as prescribed by the quality assurance program and that evidence of the testing performed is retained."

Nevada Department of Transportation Response:

The Nevada Department of Transportation accepts this finding and will initiate corrective action as noted below.

Corrective Action for Finding 11-03:

We are continuing to enhance our procedures to ensure that required tests are performed as prescribed by the quality assurance program and that evidence of the testing performed is retained. This includes increased communication between Headquarters Quality Assurance Section staff and District Construction staff as well as between the Construction Division administration and the District administration. The importance of the required testing will continued to be emphasized at annual inspection and testing training provided by the Construction Division and at the annual Resident Engineer's Academy and the annual Resident Engineer's Conference. In February 2012 the Construction Division began preparing the initial Acceptance Testing Frequency Report (Form 040-075) on all new contracts for the Resident Engineer. This will help the Resident Engineers in planning and preparing for their testing programs. It is noted that this audit represents contracts closed in fiscal year 2011. This could include contracts where construction was actually completed two years prior to contract closeout. What this means is there may be completed construction projects in various stages of contract closeout with similar issues to the finding noted above that have not been identified yet. And that it may take time for issues like this to work out of the process. For the purposes of Single Audits the the benefits of quality assurance program enhancements implemented in 2012 may not be fully realized until several years later when the new contracts covered by the enhanced procedures are closed out (i.e. fiscal year 2014 and later). This will be done with oversight and technical guidance provided by Jeff Shapiro, Chief Construction Engineer.

Sincerely,



Rodolfo Malfabon
Deputy Director – Southern Nevada

Cc: Susan Martinovich
Scott Rawlins
Roc Stacey
Sandeep Garg
Elaine Martin
Kevin Lee
Shannon Ryan
Debra Clark

Rick Nelson
Scott Sisco
Yvonne Schuman
Jeff Shapiro
Thor Dyson
Mary Martini
Steve Winebarger

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 11-4:

Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 20.219 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> provides that a pass-through entity is responsible for determining whether, for subawards made on or after October 1, 2010, an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before the award.
<i>Condition and Context:</i>	As part of our testing over subrecipient monitoring, we reviewed a sample of three out of 23 subrecipient awards, and two of the three were made after October 1, 2010. We noted that the State did not obtain the subrecipient's DUNS number in the grant application or before those two awards were made, and program personnel represented that they were not aware of the requirement.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	As the DUNS number is a required field in the Federal Funding Accountability and Transparency Act (FFATA) reports, this could impact the ability of the Nevada Division of State Parks to submit complete FFATA reports in the future, if required.
<i>Cause:</i>	Subrecipient monitoring training was not adequate to ensure the Nevada Division of State Parks was aware of the requirement to obtain DUNS numbers prior to making subrecipient grant awards.
<i>Recommendation:</i>	We recommend the Nevada Division of State Parks implement procedures to ensure DUNS numbers are obtained from subrecipients prior to making subrecipient awards. Training programs should address the subrecipient monitoring requirements.
<i>Management's Response:</i>	See management's response on page 131.

LEO M. DROZDOFF, P.E.
Director

Department of Conservation and
Natural Resources

DAVID K. MORROW
Administrator

Northern Region Office
16799 Lahontan Dam
Fallon, NV 89406
Phone: (775) 867-3001
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Southern Region Office
4747 Vegas Drive
Las Vegas, NV 89108
Phone: (702) 486-5126
Fax: (702) 486-5186

BRIAN SANDOVAL
Governor

Address Reply to:
901 S. Stewart Street,
Suite 5005
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Phone: (775) 684-2770
Fax: (775) 684-2777
stparks@parks.nv.gov
<http://parks.nv.gov>

STATE OF NEVADA



DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES DIVISION OF STATE PARKS

March 5, 2012

Federal Highways Administration
Grace Speicher Financial Manager
705 North Plaza Street, Suite 220
Carson City, NV 89701

Dear Mrs. Speicher:

This letter is in response to the Recreational Trails Program audit conclusion of finding by Kafoury, Armstrong & Co. This program is passed through from FHWA to NV Dept. of Transportation, (DNOT) and finally to the NV Division of State Parks (NDSP, the Division).

Recreation Trails Program, CFDA #20.219

Finding 11-4

"We recommend the Nevada Division of State Parks implement procedures to ensure DUNS numbers are obtained from sub recipients prior to making sub recipient awards. Training programs should address the sub recipient monitoring requirements."

Division Response/Corrective Action: Jenny Scanland, Program Manager

The DUNS number was added to the application process in February of 2012 for all sub recipients. Each current grantee was contacted to forward their DUNS # directly to the Division at that time as well. If they did not have one, they were given directions on how to obtain one with the request to send to us.

Training Program: Because the FHWA and NDOT were remiss in their dispersal and training for the new FFATA reporting requirements to us, the Division of State Parks' only recourse is to contact FHWA frequently to inquire on any changes in regulations and reporting. We have no recourse over FHWA or NDOT in correcting their lack of action in dispersing these requirements to us.

The Division of State Parks will therefore make a concerted effort to contact NDOT and FHWA on how to gain access to the "Transparency Act" (FFATA) website in order to post our grants over \$25,000 and those DUNS#. This reporting requirement was also not passed down to the Division by either FHWA or NDOT. We request that this training be authorized and provided by FHWA to the Division. At that time, the Division will enter and report our sub recipients as required.

If you have further questions, please contact me at 775-684-2778 or the Program Manager, Jenny Scanland at 775-684-2787.

Sincerely,



Kirsten Hettrick
Administrative Services Officer II
Nevada Division of State Parks

Cc: Shannon Ryan, Deputy Legislative Auditor for the Legislative Counsel Bureau, Audit Division.
Debbie Clark, Kafoury, Armstrong & Co.
Jenny Scanland, Program Manager, Nevada Division of State Parks

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HOMELAND SECURITY:

Finding 11-5:

Homeland Security Cluster:

Homeland Security Grant Program, CFDA 97.067

State Domestic Preparedness Equipment Support Program, CFDA 97.004

<i>Grant Award Number:</i>	Affects grant award 2010-SS-T0-0007 included under CFDA 97.067 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in the <i>OMB Circular A-133 Compliance Supplement</i> each State shall obligate not less than 80 percent of grant funds under the State Homeland Security Program (SHSP), Law Enforcement Terrorism Prevention Program (LETPP) and Urban Areas Security Initiative (UASI) programs to local units of government, and under the FY 2008-2010 awards for the SHSP and UASI programs, States must obligate funds for subgrants within 45 days after the date of the grant award. "Obligate" means there must be an action by the State to establish a firm commitment; the commitment must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and, if applicable, accepted by the grantee.
<i>Condition and Context:</i>	During our audit, we tested obligations made by the State for the FY 2010 award, which included SHSP and UASI program funds. Although we noted that an adequate amount of UASI funds were obligated to local governments, we found that approximately 65 percent of the SHSP funds were obligated for pass-through grants to local governments. The State budgeted approximately 22 percent of SHSP funds for State-administered projects that benefit local governments, such as training exercises that the local governments participate in; however, the funds for those projects were not "obligated" to local governments, as defined above.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	The State did not obligate an adequate amount of FY 2010 award funds to local governments.
<i>Cause:</i>	The Nevada Division of Emergency Management did not have adequate procedures in place to ensure the required amount of funds were obligated to local governments.
<i>Recommendation:</i>	We recommend the Nevada Division of Emergency Management enhance procedures to ensure the required amounts are obligated to local governments.
<i>Management's Response:</i>	See management's response on page 135.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HOMELAND SECURITY:

Finding 11-6:

Homeland Security Cluster:

Homeland Security Grant Program, CFDA 97.067

State Domestic Preparedness Equipment Support Program, CFDA 97.004

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 97.067 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. Management decision is the evaluation of audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.
<i>Condition and Context:</i>	As part of our audit procedures, we tested five out of 48 subrecipients to verify that the Nevada Division of Emergency Management ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that audit reports for two of the five subrecipients tested included audit findings related to the Homeland Security Cluster, and the Nevada Division of Emergency Management did not issue management decisions for those findings or monitor the corrective action plan.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level may continue to occur if the Nevada Division of Emergency management does not issue management decisions and monitor the corrective action plan.
<i>Cause:</i>	The Nevada Division of Emergency Management does not have adequate procedures in place to ensure that management decisions are issued for subrecipient findings and to monitor the corrective action plan.
<i>Recommendation:</i>	We recommend the Nevada Division of Emergency Management implement procedures to ensure management decisions are issued within six months for subrecipient audit findings and monitor the corrective action plan.
<i>Management's Response:</i>	See management's response on page 136.

Brian Sandoval
Governor



Chris Perry
Director

Christopher B. Smith
Chief

**Division of Emergency Management
Homeland Security**

2478 Fairview Drive
Carson City, Nevada 89701

Telephone (775) 687-0300 • Fax (775) 687-0322 • <http://dem.state.nv.us/>

March 12, 2012

Mr. Dale P. Finney
Program Analyst, Western Division
Department of Homeland Security
Federal Emergency Management Agency
800 K. Street, NW
Washington, DC 20472-3625

Dear Mr. Finney:

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of the Homeland Security Cluster program, CFDA 97.067, active during Nevada fiscal year 2011, which ended June 30, 2011. Included in the audit was grant activity from Homeland Security Cluster fiscal years 2006, 2007, 2008, 2009 and 2010. Kafoury, Armstrong's findings 11-5 and 11-6 concerns the Homeland Security Cluster program.

Finding 11-5 resulted in the following recommendation:

We recommend the Nevada Division of Emergency Management enhance procedures to ensure the required amounts are obligated to local governments.

Nevada Division of Emergency Management Response:

The Chief of the Division of Emergency Management accepts the finding. The Division would like to ensure that all parties understand the extensive and transparent process the Division participates in while allocating the Department of Homeland Security Grant funding.

The grant guidance is issued by the federal government yearly and the Division hosts three types of transparent and open meetings to discuss allocations of the Department of Homeland Security grant funding. Each working group, committee and commission is open to the public and stakeholders

Mr. Dale P. Finney, Program Analyst
Department of Homeland Security
Page 2 of 3

who represent the local jurisdictions vote on the funding outcome and allocations. Therefore, the Division understands that not 80% of the total grant funds were sub-granted directly to local jurisdictions, however, we agree that 80% of the funds were allocated to support the local jurisdictions.

Corrective Action for Finding 11-5:

The Division will complete a Memorandum of Understanding if required by federal grant guidance starting with FFY 2012, in the event that more than 20% of the total grant funds are retained at the state level. In the event an MOU is required, this process would be completed in a timely manner. This will be done by Rick Martin, Program Administrator.

Finding 11-6 resulted in the following recommendation:

We recommend the Nevada Division of Emergency Management implement procedures to ensure management decisions are issued within six months for sub-recipient audit findings and monitor the corrective action plan.

Nevada Division of Emergency Management Response:

The Chief of the Division of Emergency accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-6:

Written procedures will be developed and implemented to ensure management decisions are issued within six months for sub-recipient audit findings and to monitor the corrective action plan by April 1, 2012. The management decisions will request corrective actions as appropriate, and will be closed upon satisfactory completion of the sub-recipient's corrective action. This will be done by Connie Lucido, Compliance Monitor/Grants and Projects Analyst II, under the supervision of Joyce Garrett, Administrative Services Officer III.

Currently, we conduct a review of each sub-recipient's annual Single Audit report as required by OMB Circular A-133. Reviews are completed by the Department of Public Safety's Internal Auditor as well as by the Division's Compliance Monitor/Grants and Projects Analyst II. A risk analysis is completed on each audit for consideration in the development of the Division's annual audit schedule.

Finding 11-6 resulted in the following recommendation:

We recommend the Nevada Division of Emergency Management implement procedures to ensure management decisions are issued within six months for sub-recipient audit findings and monitor the corrective action plan.

Nevada Division of Emergency Management Response:

The Chief of the Division of Emergency accepts this finding and will initiate corrective actions as noted below.

Mr. Dale P. Finney, Program Analyst
Department of Homeland Security
Page 3 of 3

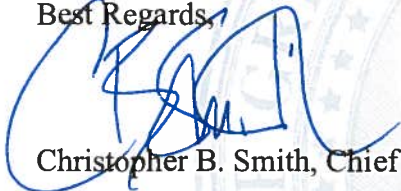
Corrective Action for Finding 11-6:

Written procedures will be developed and implemented to ensure management decisions are issued within six months for sub-recipient audit findings and to monitor the corrective action plan by April 1, 2012. The management decisions will request corrective actions as appropriate, and will be closed upon satisfactory completion of the sub-recipient's corrective action. This will be done by Connie Lucido, Compliance Monitor/Grants and Projects Analyst II, under the supervision of Joyce Garrett, Administrative Services Officer III.

Currently, we conduct a review of each sub-recipient's annual Single Audit report as required by OMB Circular A-133. Reviews are completed by the Department of Public Safety's Internal Auditor as well as by the Division's Compliance Monitor/Grants and Projects Analyst II. A risk analysis is completed on each audit for consideration in the development of the Division's annual audit schedule.

If you have any further questions, please contact Joyce Garrett or Rick Martin at (775) 687-0300.

Best Regards,



Christopher B. Smith, Chief

cc: Shannon Ryan, Deputy Legislative Auditor, LCB
Joyce Garrett, ASOIII, Nevada DEM
Debbie Clark, Kafoury, Armstrong & Co.
Jay Giovacchini, Internal Auditor, DPS
Homeland Security Cluster files

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-7:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

Grant Award Number: Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. The U.S. Department of Energy issued *SEP Program Notice 10-008B, Guidance For State Energy Program Grantees on Financing Programs*, which provides that all program income, including interest earned, is subject to the terms and conditions of the original grant, and that federal funds used to capitalize a revolving loan fund maintain their federal character in perpetuity, and federal requirements apply at each revolution of the revolving loan funds.

Condition and Context: The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs.

During our reconciliation of the State Energy Program (SEP) American Recovery and Reinvestment Act (ARRA) expenditures to the SEFA, we noted that the State has created a revolving loan fund that was capitalized with SEP ARRA funds, and there was program income from interest earned on cash balances and interest earned on loans that was not included on the SEFA. Additionally, principal amounts that had been repaid to the revolving loan fund and subsequently re-loaned were not reported as program expenditures on the SEFA.

Questioned Costs: None.

Effect: Program income and expenditures related to revolving loan funds were not reported on the SEFA, which resulted in State Energy Program expenditures being understated.

Cause: The Nevada Department of Administration prepares the SEP expenditure information and submits it to the Controller's Office on behalf of the State Office of Energy. Training was not adequate to ensure personnel at the Nevada Department of Administration and the

State Office of Energy were aware of the requirement to report interest as program income and re-loaned revolving loan funds as expenditures on the SEFA.

Recommendation:

We recommend the Nevada Department of Administration and the State Office of Energy implement procedures to ensure the SEFA includes interest as program income and re-loaned revolving loan funds as expenditures. Training programs should address the program income and re-loaned expenditure reporting requirements.

Management's Response:

See management's response on page 149.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-8:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

Grant Award Number: Potentially affects all grant awards included under CFDA 81.041 and 81.041A on the Schedule of Expenditures of Federal Awards.

Criteria: OMB Circular A-133 requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements and include all activity of the reporting period.

Condition and Context: The Nevada State Office of Energy is required to submit quarterly Standard Form (SF) 425 Financial Reports for each State Energy Program award. We tested two reports submitted during the fiscal year.

During testing of a quarterly SF-425 Financial Report submitted for the quarter ended December 31, 2010 for grant award EE0003761, we noted that line 10.b. *Cash Disbursements*, was not populated, although there had been disbursements of grant funds.

During testing of a quarterly SF-425 Financial Report submitted for the quarter ended March 31, 2011 for ARRA grant award EE0000084, we noted that lines 10.i. through 10.o., *Program Income*, were not populated, although program income had been received in the form of interest related to a SEP revolving loan fund.

Questioned Costs: None.

Effect: Incomplete information was reported to the Federal granting agency.

Cause: The Nevada State Office of Energy was not aware of the requirement to report information related to interest earned, and did not have an adequate review procedure in place to ensure that the SF-425 Financial Reports were presented in accordance with program requirements and included all activity of the reporting period.

Recommendation: We recommend the Nevada State Office of Energy enhance the procedures over the reporting process and implement a review process to ensure that amounts included in the SF-425 Financial Reports are presented in accordance with program requirements and include all activity of the reporting period.

Management's Response: See management's response on page 150.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-9:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

<i>Grant Award Number:</i>	Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) title and number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.
<i>Condition and Context:</i>	As part of our testing, we reviewed subgrant awards for three State Energy Program subrecipients that received ARRA funds during the year. During this testing we noted that the three awards tested included an incorrect Federal award number and CFDA number, and two of those did not include the CFDA title.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level that is not detected by the State.
<i>Cause:</i>	The Nevada State Office of Energy did not have adequate procedures in place to ensure that all required information required to be provided to subrecipients under ARRA was communicated.
<i>Recommendation:</i>	We recommend the Nevada State Office of Energy implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated.
<i>Management's Response:</i>	See management's response on page 150.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-10:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

Grant Award Number: Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

Condition and Context: As part of our audit procedures, we tested disbursements of ARRA funds paid to subrecipients. During this testing, we noted that the Federal award number, CFDA number and the amount of ARRA funds were not identified as such at the time of the disbursement to subrecipients.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information, which could result in noncompliance at the subrecipient level.

Cause: The Nevada State Office of Energy did not have procedures in place to ensure that all information required to be provided to subrecipients under ARRA was communicated to subrecipients at the time of disbursement of funds.

Recommendation: We recommend the Nevada State Office of Energy implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated to subrecipients at the time of disbursement of funds.

Management's Response: See management's response on page 150.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-11:

State Energy Program:

State Energy Program, CFDA 81.041:

ARRA – State Energy Program, CFDA 81.041A:

<i>Grant Award Number:</i>	Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.
<i>Condition and Context:</i>	As part of our audit procedures, we tested 34 disbursements of ARRA funds and noted that two were payments directly to contractors on behalf of subrecipients. The State did not communicate the required ARRA information regarding the payments made on behalf of those subrecipients.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipients may be unaware of specific Federal award information and the amount of Federal assistance received, which could result in noncompliance at the subrecipient level.
<i>Cause:</i>	The Nevada State Office of Energy did not have procedures in place to ensure that all information required to be provided to subrecipients under ARRA was communicated to subrecipients for payments made directly to contractors on behalf of the subrecipient.
<i>Recommendation:</i>	We recommend the Nevada State Office of Energy implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated to subrecipients when payments are made directly to contractors on behalf of the subrecipients.
<i>Management's Response:</i>	See management's response on page 150.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-12:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

<i>Grant Award Number:</i>	Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.
<i>Condition and Context:</i>	<p>The Nevada State Office of Energy did not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.</p> <p>As part of our audit procedures, we tested two out of 20 subrecipients who received awards in the prior year to verify that the Nevada State Office of Energy ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Office of Energy did not obtain and review audit reports for findings for the subrecipients.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be detected by the State.
<i>Cause:</i>	The Nevada State Office of Energy was not aware of this requirement, and therefore did not have procedures in place to ensure that subrecipient audit reports were completed timely, management decisions were issued for subrecipient findings, and corrective actions were taken on audit findings.
<i>Recommendation:</i>	We recommend the Nevada State Office of Energy implement procedures to ensure subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken by the Nevada State Office of Energy within the designated timeframe.
<i>Management's Response:</i>	See management's responses on page 151.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-13:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

<i>Grant Award Number:</i>	Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> states that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. Pass-through entities must monitor cash draws by subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.
<i>Condition and Context:</i>	We performed testing for five out of 22 subrecipients who had received State Energy Program awards. During that testing we identified that funds had been advanced to three of the subrecipients. In one instance, \$358,600 was advanced to the subrecipient in April of 2010, and there was no evidence that the funds had been expended by the subrecipient as of June 30, 2011. In another instance, we noted that \$30,500 was provided to the subrecipient in May 2011, and there was no evidence that the funds had been expended by the subrecipient as of June 30, 2011.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	Subrecipients were advanced funds for expenses not yet incurred and may have earned interest on the advanced funds.
<i>Cause:</i>	The Nevada State Office of Energy did not have adequate procedures in place to ensure that subrecipients minimized the time elapsing between the transfer of funds from the State and disbursement.
<i>Recommendation:</i>	We recommend the Nevada State Office of Energy enhance procedures to ensure that subrecipients minimize the time elapsing between the transfer of funds from the State and disbursement.
<i>Management's Response:</i>	See management's response on page 151.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-14:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

Grant Award Number: Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* provides that the pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of grant agreements and that performance goals are achieved.

Condition and Context: During our testing of subrecipient monitoring, we tested a sample of five subrecipients, including three who received cash advances, and identified that the subgrant awards included a requirement to submit monthly or quarterly progress and financial reports. We also noted that the Nevada State Office of Energy Accountability and Compliance Plan includes the review of subrecipient reports as a key monitoring procedure. Evidence that those reports were routinely received from the subrecipients was not available.

Questioned Cost: None.

Effect: Subrecipient's may not have administered Federal awards in compliance with the provisions of grant agreements and performance goals may not have been achieved, and these circumstances may not have been detected by the State.

Cause: The Nevada State Office of Energy did not have adequate procedures in place to ensure that subrecipient progress and financial reports, which include information of cash balances and cash disbursements, were received and reviewed for compliance with provisions of grant agreements and to ensure that performance goals were achieved.

Recommendation: We recommend the Nevada State Office of Energy implement procedures to ensure that subrecipient progress and financial reports, which include information of cash balances and cash disbursements, are obtained and reviewed for compliance with the provisions of grant agreements and to determine whether performance goals were achieved.

Management's Response: See management's response on page 151.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-15:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

<i>Grant Award Number:</i>	Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> refers to the Code of Federal Regulation Title 2 CFR 176.50(c), which requires that recipients and their first-tier recipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.
<i>Condition and Context:</i>	As part of our testing over ARRA subawards, we reviewed whether the Nevada State Office of Energy ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that although the requirement to register was included in the three subawards examined, subrecipient compliance with the CCR registration requirement had not been verified.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level could occur and not be detected by the State.
<i>Cause:</i>	The Nevada State Office of Energy was not aware that subrecipients were required to maintain current CCR registrations and, therefore, did not have procedures in place to ensure that subrecipients maintain current CCR registrations and did not properly monitor subrecipients' registrations as required under ARRA.
<i>Recommendation:</i>	We recommend the Nevada State Department of Energy implement procedures to ensure that subrecipients maintain current CCR registrations and implement procedures to ensure the Nevada State Department of Energy properly monitors subrecipients' registrations as required under ARRA.
<i>Management's Response:</i>	See management's response on page 152.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-16:

State Energy Program:

State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

Grant Award Number: Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.

Criteria: OMB Circular A-133 prohibits non-Federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. The entity must verify that the contracted entity is not suspended or debarred by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the contract.

Condition and Context: We tested the State's procedures for entering into revolving loan, professional service, and construction-type contracts for this program. We tested two out of nine construction-type contracts that were administered by the State Public Works Division, and found that neither the bid documents nor contracts contained a clause or certification that the contractor was not a suspended or debarred party. In addition, review of the Excluded Parties List System (EPLS) was not documented by State personnel before awarding the contracts.

Questioned Costs: None.

Effect: Contracts may be awarded to suspended or debarred parties which could result in a liability to the State for unallowable costs.

Cause: Adequate procedures were not in place at the Nevada Public Works Division to ensure that the required suspension and debarment certifications were obtained, a clause related to suspension and debarment was included in the contract, or that the vendor status was checked for all covered vendor contracts.

Recommendation: We recommend the Nevada Public Works Division establish procedures to ensure the State obtains required certifications from contracted parties for all covered contracts and subawards. Alternatively, we recommend the Nevada Public Works Division add a clause to the standard contract language or maintain evidence that they verify by checking the Excluded Parties List System that vendors are not suspended or debarred.

Management's Response: See management's response on page 152.



**OFFICE OF THE GOVERNOR
NEVADA STATE OFFICE OF ENERGY**

March 7, 2012

Peter S. Davis, Branch Chief
U.S. Department of Energy
NETL Morgantown
3610 Collins Ferry Road
PO Box 880
Morgantown, WV 26507-0880

Dear Mr. Davis:

Kafoury, Armstrong, and Company CPAs performed an annual Single Audit of the State Energy Program, CDFA 81.041 and ARRA-State Energy Program, CDFA 81.041A, active during the Nevada fiscal year 2010, which ended June 30, 2010. Kafoury, Armstrong and Company's findings 11-7 to 11-16 concerns the SEP Formula and SEP ARRA programs.

Finding 11-7 resulted in the following recommendation:

"We recommend the Nevada Department of Administration and the State Office of Energy implements procedures to ensure the SEFA includes interest as program income and re-loaned revolving loan funds as expenditures. Training programs should address the program income and re-loaned expenditures reporting requirements."

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-7:

The Department of Administration will implement a process in the policies and procedures to record and report (SEFA) Schedule of Expenditures of Federal Awards interest as program income and re-loaned as revolving loan expenditure. In addition, the interest income and resulting revolving loan expenditures will be included on the (SARF) Single Audit Report Form through Controllers Office.

Finding 11-8 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy to enhance the procedures over the reporting process and implement a review process to ensure that amounts included in the SF-425 Financial Reports are presented in accordance with the program requirements and include all activity of the reporting period.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-8:

Systems are in place to ensure all information on the 425's are reviewed before submitting. These guidelines have been added to the NSOE ARRA Accountability and Compliance Manual.

Finding 11-9 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy implement procedures to ensure that all information required to be provided to sub recipients under ARRA is communicated.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-9:

We have revised our sub-award information sheet to include the CFDA number and title.

Finding 11-10 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy implement procedures to ensure that all information required to be provided to sub recipients under ARRA is communicated to sub recipients at the time of disbursement of funds.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-10:

We have developed a system with the Department of Administration to make sure the CFDA, the Federal award number and ARRA are located on the subject line of all checks being sent out to sub recipients.

Finding 11-11 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy implement procedures to ensure that all information required to be provided to sub recipients under ARRA is communicated to

sub recipients when payments are made directly to contractors on behalf of the sub recipient.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-11:

Same action as 11-10: We have developed a system with the Department of Administration to make sure the CFDA, the Federal award number and ARRA are located on the subject line of all checks being sent out to sub recipients.

Finding 11-12 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy implement procedures to ensure sub recipients audits are completed timely, audit findings related to sub recipients are identified, and appropriate action is taken by the Nevada State Office of Energy within the designated time frame.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-12:

Systems are now in place to receive and review audit reports from all sub recipients. These procedures have been added to the NSOE ARRA Accountability and Compliance Manual.

Finding 11-13 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy enhance procedures to ensure that sub recipients minimize the time elapsing between the transfer of funds from the State and disbursement.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-13:

Systems are in place for receiving interest earned on those three advancements. Going forward all advanced funding will have 90 days to invoice. All others are reimbursed on invoice only.

Finding 11-14 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy implement procedures to ensure that sub recipients progress and financial reports, which include information of cash balances

and cash disbursements, are obtained and reviewed for compliance with the provisions of grant agreements and to determine whether performance goals were achieved.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-14:

These programs will not be advanced funded and will be paid by invoice. Progress reports will be ongoing until the close of the grants.

Finding 11-15 resulted in the following recommendation:

“We recommend the Nevada State Office of Energy implement procedures to ensure that sub recipients maintain current CCR registrations and implement procedures to ensure the Nevada State Office of Energy properly monitors sub recipients’ registrations as required under ARRA.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-15:

Monitoring of the CCR’s for first tier recipients has been put into place in the NSOE ARRA Accountability and Compliance Manual.

Finding 11-16 resulted in the following recommendation:

“We recommend the Nevada Public Works Division establish procedures to ensure the State obtains required certifications from contracted parties for all covered contracts and sub-awards. Alternatively, we recommend the Nevada Public Works Division add a clause to the standard contract language or maintain evidence that they verify by checking the Excluded Parties List System that vendors are not suspended or debarred.”

Nevada State Office of Energy Response:

The Nevada State Office of Energy accepts this finding and has already initiated corrective actions as noted below.

Corrective Action for Finding 11-16:

SPWD revised its Supplemental Instructions to Bidders (ARRA Grant Projects) to say the following: *A contract award with an amount expected to equal or exceed \$25,000 shall not be made to any contractor listed on the government-wide Excluded Parties List System (EPLS). Any bid received from an excluded contractor will be returned to the bidder unopened.*


SPWD has also conducted training on this item at a recent weekly staff meeting advising project managers and the Administrative Assistant that oversees bidder qualifications and bid openings of this requirement.

SPWD has confirmed that SPWD has not awarded any ARRA funded construction contract to a debarred contractor.

If you have any further questions, please contact me at (775) 687-1850 x. 7319 or brookss@energy.nv.gov; or you may contact Robert Nellis, Energy Program Manager at (775) 687-1850 x. 7304 or rcnellis@energy.nv.gov.

Sincerely,

Stacey Crowley
Director

By: 
Stephanie Brooks
Fiscal Manager
Nevada State Office of Energy

Cc: Shannon Ryan, Audit Supervisor, LCB

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF ENERGY:

Finding 11-17:

Weatherization Assistance of Low-Income Persons:

Weatherization Assistance for Low-Income Persons, CFDA 81.042

ARRA – Weatherization Assistance for Low-Income Persons, CFDA 81.042A

Grant Award Number: Potentially affects all grant awards included under CFDA 81.042A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* refers to the Code of Federal Regulation Title 2 CFR 176.50(c), which requires that recipients and their first-tier recipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.

Condition and Context: As part of our testing over ARRA subawards, we reviewed whether the Nevada Department of Business and Industry-Housing Division ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that the requirement to register was not included in the ARRA subaward examined, and there was no evidence that subrecipient compliance with the requirement had been verified.

Questioned Costs: None.

Effect: Noncompliance at the subrecipient level may have occurred and not have been detected by the State.

Cause: The Nevada Department of Business and Industry-Housing Division did not have procedures in place to communicate the requirement to maintain current CCR registrations to subrecipients who received ARRA funding, or to monitor subrecipients' registrations.

Recommendation: We recommend the Nevada Department of Business and Industry-Housing Division implement procedures to communicate the requirement to maintain current CCR registrations to subrecipients who receive ARRA funding, and to monitor subrecipients' registrations.

Management's Response: See management's response on page 156.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF ENERGY:

Finding 11-18:

Weatherization Assistance for Low-Income Persons:

Weatherization Assistance for Low-Income Persons, CFDA 81.042

ARRA – Weatherization Assistance for Low-Income Persons, CFDA 81.042A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 81.042 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.
<i>Condition and Context:</i>	As part of our testing over subrecipient monitoring, we reviewed two of 12 subrecipient awards for communication of required information, and noted that the assurances included for one of the awards did not include the CFDA number.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.
<i>Cause:</i>	The Nevada Department of Business and Industry-Housing Division did not have adequate procedures in place to ensure subrecipient awards consistently included all of the required information.
<i>Recommendation:</i>	We recommend the Nevada Department of Business and Industry-Housing Division implement procedures to ensure subrecipient awards consistently include all of the required information.
<i>Management's Response:</i>	See management's response on page 156.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
HOUSING DIVISION

1535 Old Hot Springs Road, Suite 50
Carson City, Nevada 89706
Phone (775) 687-2040 • Fax (775) 687-4040
www.nvhousing.state.nv.us

TERRY JOHNSON
Director

CHARLES L. HORSEY, III
Administrator

March 6, 2012

Mr. Charles Dobos, Project Officer
U.S. Department of Energy
1617 Cole Boulevard
Golden, CO 80401

Dear Mr. Dobos:

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of the Department of Energy Weatherization Assistance Program, funded through the American Recovery And Reinvestment Act (ARRA), CFDA 81.042. Kafoury, Armstrong's findings 11-17 and 11-18 concerns the Weatherization ARRA funded program.

Finding 11-17 resulted in the following recommendation:

"We recommend the Nevada Department of Business and Industry, Housing Division implement procedures to communicate the requirement to maintain current CCR registrations to subrecipients who received ARRA funding, or to monitor subrecipient's registrations."

Nevada Housing Division Response:

The Administrator for the Nevada Housing Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-17:

The Nevada Housing Division will monitor subrecipients who received ARRA funding to ensure CCR registrations are current by April 30, 2011. This will be done by or under the supervision of Sue Martin, Grants & Projects Analyst III.

Finding 11-18 resulted in the following recommendation:

"We recommend the Nevada Department of Business and Industry, Housing Division implement procedures to ensure subrecipient awards consistently include all of the required information."

Nevada Housing Division Response:

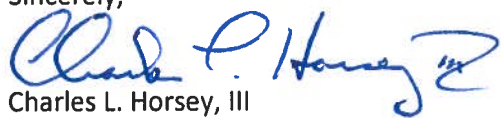
The Administrator for the Nevada Housing Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-18

Policies will be put in place which will require the review of all grants by at least 2 staff members prior to mailing grant awards to subgrantees for the upcoming fiscal year beginning July 1, 2012. This will be done by or under the supervision of Sue Martin, Grants & Projects Analyst III.

If you have any further questions, please contact me at (775) 687-2031 or chorsey@housing.nv.gov; or you may contact Sue Martin, Weatherization Program Manager at (775) 68702037 or suemartin@housing.nv.gov.

Sincerely,



Charles L. Horsey, III
Administrator

Cc: Shannon Ryan, Audit Supervisor, LCB
Hilary Lopez, Ph. D, Chief of Federal Programs
Sue Martin, Weatherization Program Manager
Karen Rasner, Chief Accountant
Debbie Clark, Kafoury, Armstrong & Co.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-19:

Special Education Cluster:

Special Education – Grants to States, CFDA 84.027

Special Education – Preschool Grants, CFDA 84.173

ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Grant Award Number: Potentially affects all grant awards included under CFDA 84.027, 84.173, 84.391A, and 84.392A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

Condition and Context: The Nevada Department of Education is required to submit an annual *Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (special report)* for the Special Education Cluster program. This is the first year the Nevada Department of Education was required to submit the information electronically through the Education Data Exchange Network (EDEN).

During testing of the report information submitted during the year ended June 30, 2011, we noted that the total enrollment of special education students as reported through EDEN did not agree to the support retained by the Nevada Department of Education of actual enrollment of special education students in the State, and the total number of students reported through EDEN was understated by 70 students. We were unable to determine if the variance was caused by erroneous information submitted in EDEN or due to manipulation of data that may have occurred in the EDEN system.

Questioned Costs: None.

Effect: Inaccurate information was reported through EDEN.

Cause: The Nevada Department of Education did not have adequate review procedures in place to ensure the special report information processed through the EDEN system reflected accurate information.

Recommendation: We recommend the Nevada Department of Education enhance review procedures to ensure the special report information processed through the EDEN system reflects accurate information.

Management's Response: See management's response on page 159.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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RORIE FITZPATRICK
Acting Deputy Superintendent
Instructional, Research, and Evaluative
Services



GREG T. WEYLAND
Deputy Superintendent
Administrative and Fiscal Services

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DEPARTMENT OF EDUCATION
700 E. Fifth Street
Carson City, Nevada 89701-5096
(775) 687 - 9200 · Fax: (775) 687 - 9101

March 14, 2012

Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Dear Program Officer,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Special Education Grants to States program, CFDA 84.027, Special Education preschool grants program, CFDA 84.173, Special Education grants to states, Recovery Act program, CFDA 84.391, and Special Education preschool grants, Recovery Act program, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrong's finding 11-19 concerns these programs.

Finding 11-19 resulted in the following recommendations:

We recommend the Nevada Department of Education enhance review procedures to ensure the special report information processed through the EDEN system reflects accurate information.

Nevada Department of Education response:

The Nevada Department of Education accepts the finding and will be adding verification enhancements to the EDEN system at each data transfer action or update to verify the validity of all data.

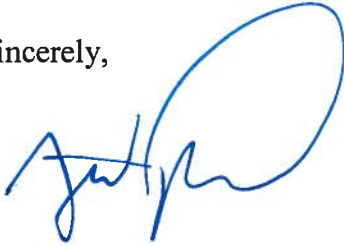
Corrective Action:

The following procedures will be implemented beginning with the special education child count collected on October 1, 2012, and reported to the U.S. Department of Education in February 2013. A dated transmittal memorandum indicating the total number of students included will be prepared and sent at two points in the child count data processing: (1) when NVSEARS is advised that special education child count data raw data processing has been completed and the files are ready for EDEN preparation, and (2) when the NDE is advised that EDEN files in

NVSEARS are ready for uploading in ED Facts. The "transmittal memorandum" may be accomplished by email. Discrepancies will be resolved at each step. When the child count data are uploaded by the NDE in ED Facts, the reports will be verified to ensure that the child count reported in ED Facts matches the child count reported in the transmittal memorandum. Errors will be promptly corrected so that reporting is timely and accurate.

If you have any questions, please contact Rorie Fitzpatrick, Acting Deputy Superintendent at (775)-687-9215, or email at rfitzpatrick@doe.nv.gov, or Carol Crothers at (775)-687-9180, or email at ccrothers@doe.nv.gov, or Julian Montoya, Assistant director Assessments, Program Accountability and Curriculum, at (775)-687-9255, or email at jmontoya@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

CC: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Carol Crothers, Director of Assessment, Program Accountability and Curriculum
Julian Montoya, Assistant Director of Assessment, Program Accountability and Curriculum

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-20:

Special Education Cluster:

Special Education – Grants to States, CFDA 84.027

Special Education – Preschool Grants, CFDA 84.173

ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Grant Award Number: Potentially affects all grant awards included under CFDA 84.027, 84.173, 84.391A, and 84.392A on the Schedule of Expenditures of Federal Awards.

Criteria: OMB Circular A-133 provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.

Condition and Context: The State of Nevada utilizes the Electronic Plans, Applications, Grants and Expenditures (ePAGE) system for grants management. Funding applications, awards and cash draws are all made through ePAGE. ePAGE displays award information, including the award amount and CFDA number. We identified an award that was funded with two Federal sources, but the award communication to the subrecipient indicated the funds were strictly Special Education – Grants to States funds.

As part of our testing of 14 payments made to subrecipients, we examined the supporting documentation for each, and noted one instance where the screen print, which was visible by the subrecipient when making a cash request, indicated the CFDA number the draw was being made against was 84.027, but the subrecipient was actually paid with a combination of funds from Special Education-State Program Improvement Grants for Children with Disabilities (CFDA 84.323) and Special Education (CFDA 84.027).

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Department of Education did not have adequate procedures in place to ensure unique subgrant awards were created in ePAGE for each Federal program.

Recommendation: We recommend the Nevada Department of Education implement procedures to ensure unique subgrant awards are created in ePAGE for each Federal program.

Management's Response: See management's response on page 163.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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Acting Deputy Superintendent
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GREG T. WEYLAND
Deputy Superintendent
Administrative and Fiscal Services

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DEPARTMENT OF EDUCATION
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March 14, 2012

Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Dear Program Officer,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Special Education Grants to States program, CFDA 84.027, Special Education preschool grants program, CFDA 84.173, Special Education grants to states, Recovery Act program, CFDA 84.391, and , Special Education preschool grants, Recovery Act program, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrongs finding 11-20 concerns these programs.

Finding 11-20 resulted in the following recommendations:

We recommend the Nevada Department of Education implement procedures to ensure unique sub grant awards are created in ePage for each Federal program.

Nevada Department of Education response:

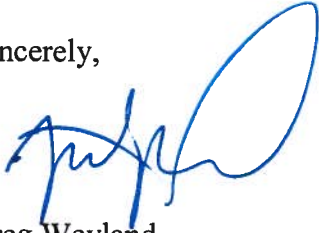
The Nevada Department of Education accepts the finding will have the ePage system adjusted to have separate applications for each individual federal program.

Corrective Action:

During the month of February of 2012, the Department contacted the ePage programmers and had a separate application created for the Nevada State Personnel Development Grant program, (SPDG), CFDA 84.323. The balance of the sub awards have been moved to the SPDG grant allocation in ePage.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov, or Kim Boles Administrative Assistant IV, Department ePage contact at (775)-687-9147 or email at kboles@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit
Rorie Fitzpatrick, Acting Deputy Superintendent
Kim Boles, Administrative Assistant IV

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-21:

Title I, Part A Cluster:

Title I Grants to Local Educational Agencies, CFDA 84.010

ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A

Special Education Cluster:

Special Education – Grants to States, CFDA 84.027

Special Education – Preschool Grants, CFDA 84.173

ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Grant Award Number: Potentially affects all grant awards included under CFDA 84.389A, 84.391A and 84.392A on the Schedule of Expenditures of Federal Awards (SEFA).

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

Condition and Context: For the fiscal year 2010 audit, we identified instances in which the Nevada Department of Education did not identify at the time of disbursement of funds the required information as described above. In response to the finding reported, the Nevada Department of Education implemented corrective action, which took effect in March 2011.

We tested 29 of the 123 ARRA disbursements made to subrecipients for the Title I and Special Education Clusters during the year. During our testing, we noted that ARRA information was not identified as such at the time of disbursement to the subrecipient for 21 of the disbursements tested, including one of six tested for Special Education and five of ten tested for Title I that were paid subsequent to the implementation of corrective action for the finding reported for fiscal year 2010.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Department of Education did not have adequate procedures in place to ensure that all information required to be provided to subrecipients under ARRA were communicated to subrecipients at the time of disbursement of funds.

Recommendation: We recommend the Nevada Department of Education enhance procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated to subrecipients at the time of disbursement of funds.

Management's Response: See management's response on page 167.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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Deputy Superintendent
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March 14, 2012

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
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202-260-0991

Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Title I Grants to Local Education Agencies program, CFDA 84.010, Title I Grants to Local Education Agencies, Recovery Act program, CFDA 84.389, Special Education Grants to States program, CFDA 84.027, Special Education preschool grants program, CFDA 84.173, Special Education grants to states, Recovery Act program, CFDA 84.391, and , Special Education preschool grants, Recovery Act program, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrong's finding 11-21 concerns these programs.

Finding 11-21 resulted in the following recommendations:

We recommend the Nevada Department of Education enhance procedures to ensure that all information required to be provided to the sub recipients under ARRA is communicated to sub recipients at the time of disbursement of funds.

Nevada Department of Education response:

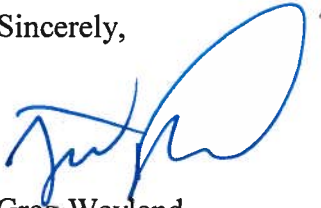
The Nevada Department of Education accepts the finding and will continue to verify that the memo line of all ARRA disbursements include information specifically identifying a payment as ARRA funds.

Corrective Action:

On May 1, 2011 the Department started including on the memo line of all ARRA disbursements information specifically identifying a payment as ARRA funds. The Department will continue to include the identifying information and closely monitor all ARRA payments to be sure the required information is communicated to the sub recipients.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Marcia Calloway, Assistant Director ESEA programs
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-22:

Title I, Part A Cluster:

Title I Grants to Local Educational Agencies, CFDA 84.010

ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A

Special Education Cluster:

Special Education – Grants to States, CFDA 84.027

Special Education – Preschool Grants, CFDA 84.173

ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Grant Award Number: Potentially affects all grant awards included under CFDA 84.389A, 84.391A and 84.392A on the Schedule of Expenditures of Federal Awards.

Criteria: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

Condition and Context: During testing of the Section 1512 ARRA reports submitted for the quarter ended March 31, 2011, we noted that amounts reported as invoiced/received and/or expenditure amounts did not agree to supporting documents and the accounting records.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Education did not have adequate controls and review procedures in place to ensure the Section 1512 ARRA reports were accurate. The amounts reported were not reconciled to the underlying accounting system.

Recommendation: We recommend the Nevada Department of Education enhance controls and review procedures to ensure reports are accurate, and that the amounts reported as expenditures and receipts are reconciled to the underlying accounting system.

Management's Response: See management's response on page 170.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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March 14, 2012

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991

Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Title I Grants to Local Education Agencies program, CFDA 84.010, Title I Grants to Local Education Agencies, Recovery Act program, CFDA 84.389, Special Education Grants to States program, CFDA 84.027, Special Education preschool grants program, CFDA 84.173, Special Education grants to states, Recovery Act program, CFDA 84.391, and , Special Education preschool grants, Recovery Act program, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrong's finding 11-22 concerns these programs.

Finding 11-22 resulted in the following recommendations:

We recommend the Nevada Department of Education enhance controls and review procedures to ensure reports are accurate, and that the amounts reported as expenditures and receipts are reconciled to the underlying accounting system.

Nevada Department of Education response:

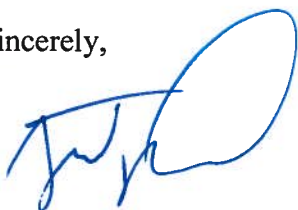
The Nevada Department of Education accepts the finding and instituted timing controls for ARRA data collected and reported as expenditures and receipts for 1512 reporting purposes.

Corrective Action:

The Nevada Department of Education adjusted the timing of payments to the Local Education Agencies, (LEA's). The payments are made before the 5th day before the end of the month so that a payment sent by the Department is received in time to be reported as received in the same quarter for reporting the 1512. This will allow the amounts reported by the Department to match the amounts reported by the LEA's on the 1512 reports.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Marcia Calloway, Assistant Director ESEA programs
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

U.S. DEPARTMENT OF EDUCATION:

Finding 11-23:

Child Nutrition Cluster:

- School Breakfast Program, CFDA 10.553
- National School Lunch Program, CFDA 10.555
- Special Milk Program for Children, CFDA 10.556
- Summer Food Service Program for Children, CFDA 10.559

Title I, Part A Cluster:

- Title I Grants to Local Educational Agencies, CFDA 84.010
- ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A

Special Education Cluster:

- Special Education – Grants to States, CFDA 84.027
- Special Education – Preschool Grants, CFDA 84.173
- ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A
- ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Grant Award Number: Potentially affects all grant awards included under CFDA numbers 10.555, 84.010, and 84.027 on the Schedule of Expenditures of Federal Awards.

Criteria: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

In addition, the Department of Education has policies and procedures in place to ensure that each of the draw requests is approved by an individual independent of preparation prior to requesting payment from the Federal agency.

Condition and Context: The National School Lunch Program (CFDA 10.555), Title I Grants to Local Educational Agencies (CFDA 84.010), and Special Education – Grants to States (CFDA 84.027) were covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2011. The terms of that agreement specify that the recipient, Nevada Department of Education, will request Federal funds in accordance with the Average Clearance funding technique for the programs listed above.

During our testing, we performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We noted that the Nevada Department of Education did not always adhere to the specified funding techniques.

The Average Clearance funding technique provides that the State shall request funds such that they are deposited via Automated Clearing House (ACH) in a State account on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified for the program. The specified clearance patterns are as follows:

- 10.555 – National School Lunch Program – 4 days
- 84.010 – Title I Grants to Local Educational Agencies – 4 days (administrative component only)
- 84.027 – Special Education – Grants to States – 3 days (administrative component only)

In most instances the Nevada Department of Education calculates the amount of Federal funds to request based on check dates and estimated administrative expenditures recorded as issued in the accounting system, rather than following the clearance patterns listed above. We noted exceptions for six of six draws tested for CFDA 84.010, for two of three tested for CFDA 10.555, and for one of four tested for CFDA 84.027.

In addition, for three of the 13 requests tested, it was noted that the draw requests had not been approved by someone other than the preparer prior to requesting the funds from the Federal agency.

Questioned Costs:

None.

Effect:

Because requests for Federal funds were not always made in accordance with the terms of the Treasury-State Agreement, an interest liability for the State could result.

Cause:

The Nevada Department of Education did not adhere to the funding technique described in the Treasury-State Agreement, and did not request that the Treasury-State Agreement be amended to reflect the actual funding technique used.

Recommendation:

We recommend the Nevada Department of Education ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique.

Management's Response:

See management's responses on pages 174 and 194.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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9890 S. Maryland Parkway
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March 14, 2012

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991

Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Cynthia Turner, Director
Financial Management
USDA, Western Regional Office
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the School Breakfast Program, CFDA 10.553, The National School Lunch Program, CFDA 10.555, Special Milk Program for Children, CFDA 10.556, Summer Food Service Program for Children, CFDA 10.559, Title I Grants to Local Education Agencies, CFDA 84.010, Title I grants to Local Education Agencies Recovery Act, CFDA 84.389, Special Education-Grants to States, CFDA 84.027, Special Education-Preschool Grants, CFDA 84.173, ARRA Special Education – Grants to States, Recovery act, CFDA 84.391, and ARRA Special Education – Preschool Grants, Recovery Act, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2010. Kafoury, Armstrong's finding 11-23 concerns this program.

Finding 11-23 resulted in the following recommendations:

We recommend the Nevada Department of Education ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique.

Nevada Department of Education response:

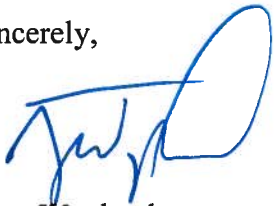
The Department accepts the finding and will be adhering to the Treasury-State Agreement. The Department will also review with the State of Nevada Controller's office the draw down patterns to determine the best methodology for federal cash draw downs.

Corrective Action:

The Nevada Department of Education has reviewed the Treasury-State agreement and draws funds based on the clearance patterns described in the agreement for each of the specified programs. The Department will review the draw down procedures with the Controller's office for the 2013 Treasury-State agreement.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov or Kristina Kramer Account Technician I at (775)-687-9176 or email at tkramer@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Marcia Calloway, Assistant Director ESEA programs
Donnell Barton, Director Child Nutrition and School Health
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit
Kristina Kramer, Account Technician I

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-24:

Title I, Part A Cluster:

Title I Grants to Local Educational Agencies, CFDA 84.010

ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.010 and 84.389A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments</i> , amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, the cost must be determined in accordance with generally accepted accounting principles.
<i>Condition and Context:</i>	As part of our testing over Allowable Costs/Cost Principles, we tested a sample of 40 transactions for conformance with the criteria contained in the “Basic Guidelines” section of OMB Circular A-87. For one of the transactions selected, the cost was incurred prior to June 30, 2010, but recorded as an expenditure in the year ended June 30, 2011. The expenditure was for reimbursement to a subrecipient for expenditures through June 29, 2010, and this request was received by the Nevada Department of Education on that date. Payment was made to the subrecipient on August 11, 2010. As such, in accordance with generally accepted accounting principles, this transaction should have been accrued in the year ended June 30, 2010.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipient payments were overstated in the year ended June 30, 2011 and understated in the year ended June 30, 2010.
<i>Cause:</i>	The Nevada Department of Education did not have adequate procedures in place to ensure transactions were recorded in accordance with generally accepted accounting principles.
<i>Recommendation:</i>	We recommend that the Nevada Department of Education enhance procedures in place to ensure that amounts charged to Federal programs are recorded in accordance with generally accepted accounting principles.
<i>Management’s Response:</i>	See management’s response on page 177.

KEITH W. RHEAULT
Superintendent of Public Instruction

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March 14, 2012

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Title I Grants to Local Education Agencies program, CFDA 84.010, Title I Grants to Local Education Agencies, Recovery Act program, CFDA 84.389 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrong's finding 11-24 concerns these programs.

Finding 11-24 resulted in the following recommendations:

We recommend that the Nevada Department of Education enhance procedures in place to ensure that amounts charged to Federal programs are recorded in accordance with generally accepted accounting principles.

Nevada Department of Education response:

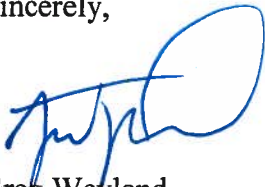
The Nevada Department of Education accepts the finding and will record all payments within generally accepted accounting principles.

Corrective Action:

The Department will review more closely the receipt date of all requests for payment to ensure they are recorded in the state accounting system in accordance with generally accepted accounting principles.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-25:

Title I, Part A Cluster:

Title I Grants to Local Educational Agencies, CFDA 84.010

ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A

School Improvement Grants Cluster:

School Improvement Grants, CFDA 84.377

ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A

ARRA – Education Jobs Fund, Recovery Act, CFDA 84.410A:

Grant Award Number: Affects all grant awards included under CFDA 84.389A, 84.388A, and 84.410A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* refers to the Code of Federal Regulation Title 2 CFR 176.50(c), which requires that recipients and their first-tier recipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.

Condition and Context: As part of our testing over ARRA subawards, we reviewed whether the Nevada Department of Education ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that the requirement to register was not included in the subawards examined, and there was no evidence that subrecipient compliance had been verified by the Nevada Department of Education.

Questioned Costs: None.

Effect: Noncompliance at the subrecipient level could occur and not be detected by the State.

Cause: The Nevada Department of Education was not aware that subrecipients were required to maintain current CCR registrations and therefore did not have procedures in place to ensure that subrecipients maintained current CCR registrations and did not properly monitor subrecipients' registrations as required under ARRA.

Recommendation: We recommend the Nevada Department of Education implement procedures to ensure that subrecipients maintain current CCR registrations and implement procedures to ensure the Nevada Department of Education properly monitors subrecipients' registrations as required under ARRA.

Management's Response: See management's response on page 180.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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March 14, 2012

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Title I Grants to Local Education Agencies program, CFDA 84.010, Title I Grants to Local Education Agencies, Recovery Act program, CFDA 84.389, School Improvement Grant program, CFDA 84.377, School Improvement Grant ARRA program, CFDA 84.388, Education Jobs Fund ARRA program, CFDA 84.410 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrong's finding 11-25 concerns these programs.

Finding 11-25 resulted in the following recommendations:

We recommend the Nevada Department of Education implement procedures to ensure that sub recipients maintain current CCR registrations and implement procedures to ensure the Nevada Department of Education properly monitors sub recipients registrations required under ARRA.

Nevada Department of Education response:

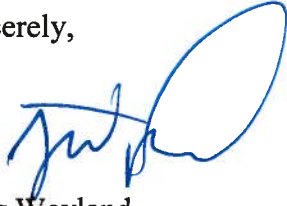
The Nevada Department of Education accepts the finding and will implement procedures to ensure all sub recipients are registered with the CCR. The Department will also implement procedures to verify all sub recipients maintain CCR registrations.

Corrective Action:

The Department is including in the assurances for all federal grants that CCR registration is mandatory to receiving federal funds. The Department is also implementing procedures to verify CCR registrations are current each year.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit
Marcia Callaway, Assistant Director ESEA programs
Kim Boles, Administrative Assistant IV
Evan Dale, Administrator Administrative Services Division, Department of Administration

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF EDUCATION:

Finding 11-26:

School Improvement Grants Cluster:

School Improvement Grants, CFDA 84.377

ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A

ARRA – Education Jobs Fund, Recovery Act, CFDA 84.410A:

Grant Award Number: Potentially affects all grant awards included under CFDA 84.388A and 84.410A on the Schedule of Expenditures of Federal Awards (SEFA).

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFAs and Data Collection Forms.

Condition and Context: As part of our testing, we reviewed awards to subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we noted that the four awards tested did not identify the amount of ARRA funds nor the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms. The awards included under CFDA 84.410A also did not include the Federal award number.

In addition, we determined that there was a combined total of 124 ARRA disbursements made to subrecipients for the two programs during the year. We tested 45 of those disbursements, and in 33 instances, we found that ARRA information was not identified as such at the time of disbursement to the subrecipient.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Department of Education did not have adequate procedures in place to ensure that all information required to be provided to subrecipients under ARRA funds was communicated to subrecipients at the time of award and at the time of disbursement of funds.

Recommendation:

We recommend the Nevada Department of Education enhance procedures to ensure that all information required to be provided to subrecipients under ARRA funds is communicated to subrecipients at the time of award and at the time of disbursement of funds.

Management's Response:

See management's response on page 184.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

TEACHER LICENSURE
SOUTHERN NEVADA OFFICE
9890 S. Maryland Parkway
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Fax: (702) 486-6450

RORIE FITZPATRICK
Acting Deputy Superintendent
Instructional, Research, and Evaluative
Services



GREG T. WEYLAND
Deputy Superintendent
Administrative and Fiscal Services

SATELLITE OFFICE
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DEPARTMENT OF EDUCATION
700 E. Fifth Street
Carson City, Nevada 89701-5096
(775) 687 - 9200 • Fax: (775) 687 - 9101

March 14, 2012

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991

Jessie Levin
US Department of Education
Office of the Deputy Secretary
Implementation and Support Unit
400 Maryland Avenue, SW
Room 7E234
Washington, DC 20202

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the School Improvement Grant program, CFDA 84.377, School Improvement Grant ARRA program, CFDA 84.388, Education Jobs Fund ARRA program, CFDA 84.410 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrong's finding 11-26 concerns these programs.

Finding 11-26 resulted in the following recommendations:

We recommend the Nevada Department of Education enhance procedures to ensure that all information required to be provided to subrecipients under ARRA funds is communicated to subrecipients at the time of award and at the time of disbursement of funds.

Nevada Department of Education response:

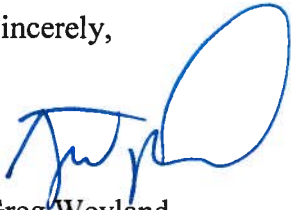
The Nevada Department of Education accepts the finding and will implement procedures to ensure all sub recipients are provided with the necessary information at the time of subaward and disbursement of funds for all ARRA awards.

Corrective Action:

The Department will include the required information when awarding ARRA funds for all future sub awards and also at the time of the disbursement of funds.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit
Marcia Callaway, Assistant Director ESEA programs
Evan Dale, Administrator Administrative Services Division, Department of Administration

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-27:

ARRA – Education Jobs Fund, Recovery Act, CFDA 84.410A:

Grant Award Number: Affects the grant award included under CFDA 84.410A on the Schedule of Expenditures of Federal Awards.

Criteria: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report cumulative draws/funds requested and the cumulative expenditure amounts no later than the 10th day after the end of each calendar quarter. The information is to be submitted through www.FederalReporting.gov, the online Web portal that will collect all Recovery Act recipient reports. All reports submitted pursuant to Section 1512 of the Recovery Act are made available on www.Recovery.gov.

Condition and Context: We attempted to test information submitted for the quarter ended March 31, 2011. Although State personnel represented that the Section 1512 ARRA reports were submitted, we were unable to locate the report for the State of Nevada for the Education Jobs program on Recovery.gov. In lieu of testing reports obtained from Recovery.gov, we examined information provided by the State, which had been printed from FederalReporting.gov. During that testing, we noted that amounts reported as expenditures were understated by \$1,737 in comparison to supporting documents and the accounting records, and the document included a “last modified” date of April 13, 2011.

Questioned Costs: None.

Effect: Section 1512 ARRA reports were not submitted accurately and timely.

Cause: The Nevada Departments of Education and Administration did not have adequate controls and review procedures in place to ensure the Section 1512 ARRA reports were submitted in a timely manner with amounts that reconciled to the underlying accounting system.

Recommendation: We recommend the Nevada Departments of Education and Administration develop controls and review procedures to ensure the Section 1512 ARRA reports are submitted timely with amounts that reconcile to the underlying accounting system.

Management’s Response: See management’s response on page 187.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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March 14, 2012

Jessie Levin
US Department of Education
Office of the Deputy Secretary
Implementation and Support Unit
400 Maryland Avenue, SW
Room 7E234
Washington, DC 20202

Dear Program Officer,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Education Jobs Fund ARRA program, CFDA 84.410 administered by the Nevada Department of Education for the year ended June 30, 2011. Kafoury, Armstrong's finding 11-27 concerns this program.

Finding 11-27 resulted in the following recommendations:

We recommend the Nevada Departments of Education and Administration develop controls and review procedures to ensure the Section 1512 ARRA reports are submitted timely with amounts that reconcile to the underlying accounting system.

Nevada Department of Education response:

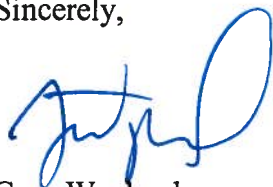
The Nevada Departments of Education and Administration accepts the finding and will be implementing review procedures to be sure 1512 reports are filed timely and accurately. The Departments will also ensure the 1512 report reconciles to the state accounting system.

Corrective Action:

The Nevada Departments of Education and Administration are implementing procedures to compare amounts recorded at each department for reconciliation of the 1512 reports for the Department of Administration and the sub recipients.

If you have any question, please contact Robert Pawley, Assistant Director Accounting and Audit at (775)-687-9179 or email at rpawley@doe.nv.gov or Evan Dale Administrator of Administrative Services, Department of Administration at (775)-684-0281 or email at edale@admin.nv.gov

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Acting Deputy Superintendent
Rick Larsen, Director Accounting and Audit
Robert Pawley, Assistant Director Accounting and Audit
Evan Dale, Administrator Administrative Services Division, Department of Administration

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-28:

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553

National School Lunch Program, CFDA 10.555

Special Milk Program for Children, CFDA 10.556

Summer Food Service Program for Children, CFDA 10.559

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

Criteria: The *OMB Circular A-133 Compliance Supplement* provides that a pass-through entity is responsible for determining whether, for subawards made on or after October 1, 2010, an applicant for a non-ARRA subaward had provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award.

Condition and Context: As part of our testing over subrecipient monitoring, we reviewed subrecipient award documentation for evidence that the applicants provided DUNS numbers prior to issuance of the subawards. There was no documentation available to support that DUNS numbers were obtained prior to issuance, and the program personnel represented the DUNS numbers were requested subsequent to the issuance in order to complete the Federal Funding Accountability and Transparency Act (FFATA) reports.

Questioned Costs: None.

Effect: As the DUNS number is a required field in the FFATA reports, this could impact the ability of the Nevada Department of Education to submit complete and timely reports.

Cause: Subrecipient monitoring training was not adequate to ensure the Nevada Department of Education complied with the requirement to obtain DUNS numbers prior to making subrecipient grant awards.

Recommendation: We recommend the Nevada Department of Education implement procedures to ensure DUNS numbers are obtained from subrecipients prior to making subrecipient awards. Training programs should address the subrecipient monitoring requirements

Management's Response: See management's response on page 194.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-29:

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559

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

Criteria: The *Federal Funding Accountability and Transparency Act (Transparency Act)* includes subaward reporting requirements. The requirements apply to direct recipients of certain grants who make first-tier subawards.

Condition and Context: The Nevada Department of Education is required to report information related to a subaward by the end of the month following the month in which a subaward or obligation of \$25,000 or greater was made, and the information for the action should be reported through the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS).

As part of our audit procedures, we tested key line items for a sample of 19 actions reported during the year ended June 30, 2011, for the programs included in the Child Nutrition Cluster. We noted that the Nevada Department of Education did not properly report the subaward data through the FSRS. In ten of those instances, the actions reported related to the obligation of funds that were not included in the Child Nutrition Cluster. For the remaining reported actions, we were unable to agree the key data elements to supporting records and most of the actions were not reported timely.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency, and reports were not filed timely.

Cause: The Nevada Department of Education did not have adequate controls and review procedures in place to ensure the Transparency Act information was reported accurately and timely. Training was not adequate at the Nevada Department of Education to ensure that information submitted was accurate.

Recommendation: We recommend the Nevada Department of Education enhance controls and review procedures to ensure reports are accurate and timely. Training programs should address the Transparency Act reporting requirements.

Management's Response: See management's response on page 195.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-30:

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553

National School Lunch Program, CFDA 10.555

Special Milk Program for Children, CFDA 10.556

Summer Food Service Program for Children, CFDA 10.559

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

Criteria: OMB Circular A-133 requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

Condition and Context: The Nevada Department of Education is required to submit quarterly Financial Status Reports for the Child Nutrition Cluster awards.

During testing of the Financial Status Report submitted for the quarter ended March 31, 2011, we noted that the Total Federal Share of Outlays reported for the Summer Food Service and School Programs did not agree to the underlying accounting records.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Education did not have adequate review procedures in place to ensure the quarterly Financial Status Reports were accurate. The amounts reported were not reconciled to the underlying accounting system.

Recommendation: We recommend the Nevada Department of Education enhance review procedures to ensure reports are accurate, and that the amounts reported are reconciled to the underlying accounting system.

Management's Response: See management's response on page 195.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-31:

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553

National School Lunch Program, CFDA 10.555

Special Milk Program for Children, CFDA 10.556

Summer Food Service Program for Children, CFDA 10.559

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

Criteria: OMB Circular A-133 provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.

Condition and Context: As part of our testing over subrecipient monitoring, we reviewed ten subrecipient awards for communication of required information, and noted that the awards did not include the award name and number. Three of the subrecipient awards tested did not include the CFDA number, and one subrecipient award only included two of the three applicable CFDA numbers.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Department of Education did not have adequate procedures in place to ensure subrecipient awards contained all of the required information.

Recommendation: We recommend the Nevada Department of Education implement procedures to ensure subrecipient awards contain all of the required information.

Management's Response: See management's response on page 195.

KEITH W RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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RORIE FITZPATRICK
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GREG T. WEYLAND
Deputy Superintendent
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DEPARTMENT OF EDUCATION

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March 2, 2012

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Ronna Bach, Regional Director
USDA, Western Region Office
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Ms. Bach:

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of the Child Nutrition Cluster: School Breakfast Program, CFDA 10.553; National School Lunch Program CFDA 10.556; Special Milk Program for Children, CFDA 10.556; and Summer Food Service Program for Children, CFDA 10.559, active during Nevada fiscal year 2011, which ended June 30, 2011.

Finding 11-23 resulted in the following recommendation:

“We recommend the Nevada Department of Education (NDE) ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique.”

Nevada Department of Education Response:

The Office of Child Nutrition and School Health (OCNSH) for the Nevada Department of Education accepts this finding and will initiate corrective action as noted below.

Corrective Action for Finding 11-23

The Nevada Department of Education will collaborate with the Controller’s Office to determine the correct Treasury-State Agreement that reflects the actual funding technique used and will adhere to the approved funding technique.

Finding 11-28 resulted in the following recommendation:

We recommend the Nevada Department of Education implement procedures to ensure DUNS numbers are obtained from subrecipients prior to making subrecipient awards. Training program should address the subrecipient monitoring requirements.

Nevada Department of Education Response:

The Office of Child Nutrition and School Health for the Nevada Department of Education partially accepts this finding and will initiate corrective action as noted below.

The Child Nutrition Cluster is an entitlement program and as such does not issue awards but issues reimbursement for approved claims submitted on a monthly basis. Child Nutrition sponsors do enter into agreements with the Nevada Department of Education to participate in Child Nutrition Cluster Programs. Prior to October 2011 the Office of Child Nutrition and School Health was not collecting DUNS numbers for all sponsors but did begin collection of DUNS numbers in November of 2011.

Corrective Action for Finding 11-28:

The Office of Child Nutrition and School Health have updated the Child Nutrition sponsor applications to include DUNS numbers. Child Nutrition sponsors are not able to submit an application unless the DUNS number section has been completed.

Finding 11-29 resulted in the following recommendation:

We recommend the Nevada Department of Education enhance controls and review procedures to ensure reports are accurate and timely. Training programs should address the Transparency Act reporting requirements.

Nevada Department of Education Response:

The Office of Child Nutrition and School Health (OCNSH) for the Nevada Department of Education accepts this finding and will initiate corrective action as noted below.

OCNSH staff was provided minimal training by the United States Department of Agriculture for reporting through the Federal Funding Accountability and Transparency Subaward Report System (FSRS).

Corrective Action for Finding 11-29:

The Nevada Department of Education has already corrected the reporting errors in FSRS. The OCNSH Director will request the United States Department of Agriculture Western Region Office to provide additional training for the FSRS.

Finding 11-30 resulted in the following recommendation:

We recommend the Nevada Department of Education enhance review procedures to ensure reports are accurate and that the amounts reported are reconciled to the underlying accounting system.

Nevada Department of Education Response:

The Nevada Department of Education was instructed by the Governor's office to draw federal funds due to the possibility of the federal government closing. The Office of Child Nutrition and School Health was scheduled to process over 16 million in claims four days after the federal government was scheduled to close. We did draw the funds to cover the claims.

Corrective Action for Finding 11-30:

The Nevada Department of Education will follow the Treasury-State Agreement that reflects the actual funding technique used and will adhere to the approved funding technique.

Finding 11-31 resulted in the following recommendation:

We recommend the Nevada Department of Education implement procedures to ensure subrecipient awards contain all of the required information.

Nevada Department of Response:

The Office of Child Nutrition and School Health for the Nevada Department of Education accepts this finding and will initiate corrective action as noted below.

Corrective Action for Finding 11-31:

The Nevada Department of Education will include the CFDA number for each Child Nutrition Program on the agreement.

If you have questions, please contact me at (775) 687-9191 or dbarton@doe.nv.gov or Kristina Kramer at (775) 687-9176 or kkramer@doe.nv.gov.

Sincerely,



Donnell Barton, Director
Child Nutrition and School Health

cc: Greg Weyland, Deputy Superintendent Administrative and Fiscal Services
Debbie Clark, Kafoury, Armstrong & Co.
Shannon Ryan, CPA, Auditor Supervisor, LCB

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-32:

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 10.555 and 10.559 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
<i>Condition and Context:</i>	<p>The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).</p> <p>During our testing and reconciliation of the SARFs to the SEFA, we found instances where expenditures related to commodity food distribution were not reported to the Controller's Office.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	The amounts included on the SEFA for the Child Nutrition Cluster were understated.
<i>Cause:</i>	The Nevada Department of Administration does not have adequate controls in place to ensure Federal expenditures for commodity foods are reported for inclusion on the SEFA.
<i>Recommendation:</i>	We recommend the Nevada Department of Administration enhance controls to ensure Federal expenditures are reported completely and accurately on the SEFA.
<i>Management's Response:</i>	See management's response on page 198.



STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION

Purchasing Division

Food Distribution Program

2250 Barnett Way | Reno, Nevada 89512
Phone: (775) 684-1830 | Fax: (775) 688-1503

March 8, 2012

Ronna Bach, Director of Special Nutrition Programs
USDA Western Region Office
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Kafoury, Armstrong & Co. CPA's performed an audit of the Child Nutrition Program Cluster which includes the National School Lunch Program, CFDA 10.555 and the Summer Food Service Program, CFDA 10.559 for the fiscal year ending June 30, 2011. The audit finding 11-32 concerns the Commodity Food's portion of these programs.

Finding 11-32 resulted in the following recommendation:

We recommend the Nevada Department of Administration and the Controller's Office enhance controls to ensure Federal expenditures are reported completely and accurately on the SEFA.

Nevada Food Distribution Program's response:

We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance.

Corrective Action:

The Food Distribution Program has scheduled a meeting with the Controller's Office to discuss enhancements to our controls. Additionally, the Food Distribution Program will set calendar alerts to follow up with the Controller's office to verify our submissions are received by them. The anticipated completion date for this corrective action is April 30, 2012.

If you have any questions, please feel free to contact me at 775-684-1832 or by email at jgimlin@admin.nv.gov

Sincerely,

A handwritten signature in blue ink that reads "Jenelle Gimlin".

Jenelle Gimlin, Program Chief

cc: Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau, Audit Division

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-33:

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

Criteria: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

Condition and Context: The WIC program was covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2011. The terms of this agreement specify that the recipient, Nevada State Health Division, will request Federal funds for the Administrative component of expenditures in accordance with the Average Clearance funding technique and for the Program component of expenditures in accordance with the Estimated Clearance funding technique.

During our testing, we performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We noted that the Nevada State Health Division did not follow the funding techniques specified in the Treasury-State Agreement for the Administrative and Program components.

For the Administrative component, the Average Clearance funding technique specifies that the State shall request funds such that they are deposited by Automated Clearing House (ACH) in a State account on a dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified for the program. The specified clearance pattern is three days.

We noted that the Nevada State Health Division calculated the Administrative component request for Federal funds based on expenditures pending issuance in the accounting system and the calculation did not consider the actual issuance date for outstanding check disbursements. In addition, during our testing of the supporting documents for the draw requests, we noted an instance where funds for the Administrative component were drawn in advance due to an inaccurate computation of Peer Counseling and Administrative expenditures.

For the Program component, the Estimated Clearance technique specifies that the State shall request funds such that they are deposited by ACH in a State account in accordance with an estimated clearance pattern. The State of Nevada, Controller's Office, has established a

Memorandum of Agreement (MOA) with the Nevada State Health Division which serves as the basis for the Treasury-State Agreement. The MOA provides that for the “Program component (food coupon redemption) funds will be drawn one day after transferring funds to First State Bank of Lake Lillian and the draw will be based on the prior four-week average amount of coupons redeemed”. During our testing, we noted that food coupons are no longer utilized and have been replaced with Electronic Benefit Transfer (EBT) food instruments; funds are drawn on a weekly basis although funds are transferred to the EBT administrator, which is now JPMorgan Chase, several times a week; and the amount drawn is not based on the prior four-week average of coupons redeemed (or food sales). In addition, we noted that draws for the Program component included amounts for food costs related to infant formula, which is not included in the MOA.

Questioned Costs: None.

Effect: Requests for Federal funds were not made in accordance with the terms of the Treasury-State Agreement, which could result in an interest liability for the State.

Cause: The Nevada State Health Division did not adhere to the funding techniques prescribed in the Treasury-State Agreement, and did not request that the Treasury-State Agreement be amended to reflect the actual funding technique used.

Recommendation: We recommend the Nevada State Health Division ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique.

Management’s Response: See management’s response on page 204.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-34:

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.
<i>Condition and Context:</i>	<p>The Nevada State Health Division did not monitor all of its subrecipients' audit reports timely to identify findings, issue management decisions, and ensure corrective actions were taken.</p> <p>As part of our audit procedures, we tested three out of 15 subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Health Division did not obtain and review audit reports for findings on a timely basis for the two subrecipients who were subject to a single audit, and a management decision was not issued for one subrecipient whose report included a WIC program finding.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level may continue to occur if the Nevada State Health Division does not review audit reports for findings on a timely basis, issue management decisions and monitor the corrective action plan.
<i>Cause:</i>	The Nevada State Health Division did not have adequate procedures in place to obtain audit reports on a timely basis and review them for findings, issue management decisions when required, and monitor the corrective action plan.
<i>Recommendation:</i>	We recommend the Nevada State Health Division enhance procedures to obtain audit reports on a timely basis and review them for findings, issue management decisions when required, and monitor the corrective action plan.
<i>Management's Response:</i>	See management's response on page 205.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-35:

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in the <i>OMB Circular A-133 Compliance Supplement</i> , State agencies administering the WIC Program must establish an ongoing management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans, and on-site reviews. The on-site reviews of local agencies shall include evaluation of management, certification, nutrition education, civil rights compliance, accountability, financial management systems, and food delivery systems. These reviews must be conducted on each local agency at least once every two years, including on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater (7 CFR section 246.19(b)).
<i>Condition and Context:</i>	<p>The Nevada State Health Division has divided the monitoring of subrecipients to separate programmatic (clinical operations and food delivery systems) and fiscal management reviews.</p> <p>As part of our audit procedures, we tested a sample of three subrecipients receiving subawards during the current fiscal year to verify that the Nevada State Health Division conducted on-site programmatic and fiscal reviews at least once every two years. We noted that the Nevada State Health Division performed a programmatic review within the most recent two year period for the three subrecipients. However, an on-site fiscal review had not been conducted for one of the three subrecipients within the required timeframe.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be detected by the State.
<i>Cause:</i>	The Nevada State Health Division did not have adequate procedures in place to ensure on-site fiscal subrecipient monitoring was conducted at least once every two years for each subrecipient.
<i>Recommendation:</i>	We recommend the Nevada State Health Division implement procedures to ensure on-site fiscal subrecipient monitoring is conducted at least once every two years for each subrecipient.
<i>Management's Response:</i>	See management's response on page 206.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF AGRICULTURE:

Finding 11-36:

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
<i>Condition and Context:</i>	<p>The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt and use of program income.</p> <p>During our reconciliation of WIC expenditures to the SEFA, we noted that expenditures paid with program income were not included on the SEFA.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Program income expenditures were not reported on the SEFA, which resulted in the WIC expenditures being understated.
<i>Cause:</i>	The Nevada State Health Division was not familiar with the requirement to report program income relating to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.
<i>Recommendation:</i>	We recommend the Nevada State Health Division ascertain the reporting requirements related to program income and implement procedures to report program income related to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.
<i>Management's Response:</i>	See management's response on page 206.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

4150 Technology Way, Suite 300
Carson City, Nevada 89706
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 12, 2012

Sarah V. Cabell, Program Specialist
USDA Food and Nutrition Service, Western Region
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Ms. Cabell:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2011. Included in the audit was the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557. Kafoury Armstrong's findings 11-33 through 11-36 concern the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Program.

Finding 11-33 resulted in the following recommendation:

"We recommend the Nevada State Health Division ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique."

Nevada State Health Division Response:

The Health Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-33:

The Health Division has taken preliminary steps to amend the existing Treasury-State agreement, and has implemented the correct procedures to draw WIC funds in an appropriate manner. Specifically, the following procedures have been implemented:

- The Division has begun to draw only the amount of food funds to cover the previous day's food expenditures.
- The Division has changed the timing of the draws, waiting three days to draw NSA and Special Formula food funds after the vouchers acceptance into the state system.
- Policies and procedures for drawing funds are being developed.

These actions should be completed and implemented by April 30, 2012. Michael Urban, Accountant Technician II is the contact person responsible for corrective action. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for ensuring that appropriate corrective action is implemented.

Finding 11-34 resulted in the following recommendation:

“We recommend the Nevada State Health Division enhance procedures to obtain audit reports on a timely basis and review them for findings, issue management decisions when required, and monitor the corrective action plan.”

Nevada State Health Division Response:

The Health Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-34:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

- The Division’s contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not. An e-mail listing is being compiled to facilitate reminders for audit report submission.
- All reports will be disseminated to the Administrative Services Officer IV for the Division, who will review the audit reports for any findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then implement the action required, up to and including corrective action plans, and will then follow through until the required action is complete. Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities are being developed.
- Once reviewed, the Administrative Services Officer IV will initial the report and the spreadsheet maintained by the contract monitor will be updated to reflect this action. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions should be completed and implemented by April 30, 2012. Colman Schmidt, Management Analyst II, is the contact person responsible for corrective action. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for ensuring that appropriate corrective action is implemented.

Finding 11-35 resulted in the following recommendation:

“We recommend the Nevada State Health Division implement procedures to ensure on-site fiscal sub-recipient monitoring is conducted at least once every two years for each sub-recipient.”

Nevada State Health Division Response:

The Health Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-35:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with the requirement to monitor all WIC sub-recipients with on-site visits at least once every two years. The Health Division Policies and Procedures have been updated to reflect this requirement and include the following basic steps:

- The WIC Program Staff will ensure that all sub-recipients receive an on-site fiscal review per schedule every two years.
- At the completion of each sub-recipient fiscal visit, a report will be prepared within 30 days to document the results.
- All reports will be submitted to the WIC Program Manager, the Bureau Chief, and the Administrative Services Officer IV for the Division, who will review the audit reports for any findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the WIC budget account. This person will then implement the action required, up to and including corrective action plans, and will then follow through with the Program Staff until the required action is complete.
- Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities are also being developed.

These actions should be completed and implemented by April 30, 2012. Michelle Walker, Health Program Manager II, is the contact person responsible for corrective action. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for ensuring that appropriate corrective action is implemented.

Finding 11-36 resulted in the following recommendation:

“We recommend the Nevada State Health Division ascertain the reporting requirements related to program income and implement procedures to report program income related to Federal awards to the Controller’s Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.”

Nevada State Health Division Response:

The Health Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-36:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with the reporting requirements for program income as outlined below.

- The Division has corrected the Single Audit Report to report the rebates for the WIC Program as program income and the report has been re-submitted to the Controller’s Office.

- The Division will identify each federal grant that requires the reporting of program income to ensure the reports are completed accurately in the future.
- All reports will be reviewed by the assigned Administrative Services Officer I, as well as, the Administrative Services Officer III prior to submission.
- Policies and procedures to ensure that each grant award is reviewed for program income reporting requirements, implementing corrective actions, and follow up activities are being developed.

These actions should be completed and implemented by April 30, 2012. Stacey Johnson, Administrative Services Officer III, is the contact person responsible for corrective action. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for ensuring that corrective action is implemented.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at pweyrick@health.nv.gov .

Sincerely,



Richard Whitley, Administrator

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division
Phil Weyrick, ASO IV, Department of Health and Human Services, Health Division
Deborah Harris, Bureau Chief, Department of Health and Human Services, Health Division
Bureau of Child, Family and Community Wellness

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-37:

Immunization Cluster:

Immunization Grants, CFDA 93.268

ARRA – Immunization, CFDA 93.712A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.268 and 93.712A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.
<i>Condition and Context:</i>	We tested two of the five subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We examined the most recent audit reports for those subrecipients and noted that the Nevada State Health Division did not review one of the audit reports until more than 15 months after the subrecipients year end, and there was no evidence of a review date for the second audit report.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be detected by the State.
<i>Cause:</i>	The Nevada State Health Division did not have adequate procedures in place to ensure that subrecipient audits were completed, and the reports reviewed for findings in a timely manner.
<i>Recommendation:</i>	We recommend the Nevada State Health Division implement procedures to ensure subrecipient audits are completed, and the reports reviewed for findings in a timely manner.
<i>Management's Response:</i>	See management's response on page 209.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION**

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March 12, 2012

Constance J. Jarvis, Grants Management Specialist
Centers for Disease Control and Prevention (CDC)
Procurement and Grants Office
Koger Center, Colgate Building
2920 Brandywine Road, Mail Stop K-14
Atlanta, GA 30341

Dear Ms. Jarvis:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2011. Included in the audit was the Immunization Program, CFDA 93.268. Kafoury Armstrong's finding 11-37 concerns the Immunization Program.

Finding 11-37 resulted in the following recommendation:

"We recommend the Nevada State Health Division implement procedures to ensure sub-recipient audits are completed, and the reports reviewed for findings in a timely manner."

Nevada State Health Division Response:

The Health Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-37:

As previously noted in the response to finding 08-1, 09-23, and 10-20 the Health Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

- The Division's contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not. An e-mail listing is being compiled to facilitate reminders for audit report submission.

Public Health: Working for a Safer and Healthier Nevada

- All reports will be disseminated to the Administrative Services Officer IV for the Division, who will review the audit reports for any findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then implement the action required, up to and including corrective action plans, and will then follow through until the required action is complete. Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities are being developed.
- Once reviewed, the Administrative Services Officer IV will initial the report and the spreadsheet maintained by the contract monitor will be updated to reflect this action. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions should be completed and implemented by April 30, 2012. Cole Schmidt, Management Analyst II is the contact person responsible for the corrective action. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for ensuring that the appropriate corrective action is taken.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at pweyrick@health.nv.gov.

Sincerely,



Richard Whitley, Administrator

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
 Michael Willden, Director, Department of Health and Human Services
 Michael Torvinen, Deputy Director, Department of Health and Human Services
 Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division
 Phil Weyrick, ASO IV, Department of Health and Human Services, Health Division
 Deborah Harris, Bureau Chief, Department of Health and Human Services, Health Division
 Bureau of Child, Family and Community Wellness

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-38:

Early Intervention Services (IDEA) Cluster:

Special Education_Grants for Infants and Families with Disabilities, CFDA 84.181

ARRA – Special Education_Grants for Infants and Families with Disabilities, CFDA 84.393A

Grant Award Number: Potentially affects all grant awards under CFDA 84.181 and 84.393A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires recipients to follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. In addition, the *OMB Circular A-133 Compliance Supplement Department of Education Cross-Cutting Section* states that grantees should draw funds via the G5 System, and permits subrecipients to redistribute drawn amounts between grant awards by making adjustments in the G5 System to reflect actual disbursements for each award, as long as the net amount of the adjustments is zero.

Condition and Context: During our testing of cash draws, two of the five cash draws selected did not have adequate supporting documentation from the accounting system to support that funds were being drawn only for immediate cash needs. Additionally, it was noted that significant adjustments were made in the G5 System to redistribute funds between active IDEA grants because the State was not preparing grant draws based on disbursements coded to those grants in the accounting system.

Questioned Costs: None.

Effect: The State may have drawn funds in advance and earned interest on the funds, and adjustments were required to correct draws that were made to pay disbursements that were not coded to the award in the accounting system.

Cause: The Nevada Department of Aging and Disability Services did not retain adequate documentation to support that federal cash draws were made only for immediate cash needs and did not have adequate procedures to ensure that draws in the G5 System were made to pay for disbursements coded to the award.

Recommendation: We recommend that the Nevada Department of Aging and Disability Services implement procedures to ensure that documentation for cash draws is retained to support that federal cash draws are made only for immediate cash needs, and that draws in the G5 System are made to pay for disbursements coded to the award.

Management's Response: See management's response on page 212.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AGING AND DISABILITY SERVICES DIVISION

3416 Goni Road, D-132
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MICHAEL WILLDEN
Director

CAROL SALA
Administrator

March 12, 2012

Ms. Melody Musgrove, Ed.D., Director
U.S. Department of Education
Office of Special Education Programs
400 Maryland Ave. S.W.
Washington, DC 20202-2600

RE: Response to Audit Findings for Special Education Grants for Infants and Families with Disabilities, CFDA 84.181

Dear Director Musgrove,

Kafoury, Armstrong & Co. CPAs performed a Single Audit of the Special Education Grants for Infants and Families with Disabilities, CFDA 84.181 (IDEA Part C) administered by the Nevada Aging and Disability Services Division for the fiscal year ended June 30, 2011.

Audit Finding 11-38 resulted in the following recommendation:

We recommend the Nevada Aging and Disability Services Division implement procedures to ensure that documentation for cash draws is retained to support that federal cash draws are made only for immediate cash needs, and that draws in the G5 System are made to pay for disbursements coded to the award.

Aging and Disability Services Division (ADSD) Response:

The division has written policies/procedures for cash draws to ensure cash draws are made only for immediate cash needs; however, they are outdated and need to be updated to include revenue received from all federal funding sources and new federal regulation references e.g. 2CFR215 vs. A-87 etc.

Corrective Action:

As recommended, the division has revised and implemented their Federal Grants Management policy and draw procedures to include all revenue sources and appropriate federal regulation references. The procedures have also been revised to accurately reflect the current practices Fiscal Unit staff utilize when making cash draws and include clear instructions of what needs to be included as backup in support of draw requests (copy attached).

If there are any questions or concerns regarding our response or corrective action plan, please do not hesitate to contact Brenda Berry, ASO 3, at 775-687-4290 x 342 or blberry@adsd.nv.gov for assistance.

Sincerely,

Tina Gerber-Winn for C Sala

Carol Sala,
Administrator, Aging and Disability Services Division

CC: Debbie Clark, Kafoury, Armstrong & Co.
Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau
Robin Hager, Budget Analyst 4, Department of Administration
Mike Torvinen, DHHS Deputy Director
Tina Gerber-Winn, Deputy Administrator, ADSD
Brenda Berry, ASO 3, ADSD

AGING AND DISABILITY SERVICES DIVISION

CHAPTER 13

FEDERAL GRANTS MANAGEMENT

1.	Purpose	13 - 1
2.	Units Affected	13 - 1
3.	Policy	13 - 1
4.	Definitions	13 - 1
5.	Responsibilities	13 - 1
6.	Procedures	13 - 2
6.1.	Receipt of Grant	13 - 2
6.2.	Grant Budgeting and Internal Fiscal Reporting.....	13 - 2
6.3.	Federal Cash Management	13 - 3
6.4.	Federal Reporting	13 - 4
6.5.	Sub-granting Federal Grants Awards	13 - 4
6.6.	Fiscal Monitoring of Sub-grants	13 - 5

AGING AND DISABILITY SERVICES DIVISION

CHAPTER 13

FEDERAL GRANTS MANAGEMENT

1. Purpose

The Purpose of this policy is to prescribe standards for a financial management system for all federally funded grant programs for Aging and Disability Services Division (ADSD) in accordance with all federal and state laws.

2. Units Affected

All ADSD units will comply with this policy.

3. Policy

All federal grants received by ADSD will be managed in compliance with all applicable federal and state laws and regulations.

4. Definitions

- 4.1 ADSD – Aging & Disability Services Division
- 4.2 RD Unit – ADSD's Resource Development Unit.
- 4.3 Fiscal Unit – The Division's Fiscal Unit located in the Carson City office.
- 4.4 NOGA – Notification of Grant Award
- 4.5 SAM – State Administrative Manual
- 4.6 AoA – Administration on Aging
- 4.7 OAA – Older American's Act
- 4.8 BSR – Budget Status Report - issued from the Integrated Financial System by the state Controller's Office weekly for each budget account
- 4.9 FFR – Federal Financial Report
- 4.10 NGA – Notification of Grant Award to sub-grantees
- 4.11 IFS – Integrated Financial System – Advantage
- 4.12 PMS Report - Federal Payment Management System Report which provides accounting for all federal withdrawals of cash and expenditures.

5. Responsibilities

- 5.1 The Resource Development (RD) Unit is responsible for the programmatic management of federal grants including Internal Controls relating to program processes and required program reporting and program reviews of sub-grants.

- 5.2 The Fiscal Unit is responsible for the fiscal management of federal grants including Internal Controls relating to fiscal processes, accounting records and source documentation, cash management, budget control, allowable costs, Federal Financial Reporting, required fiscal reporting and fiscal monitoring of sub-grants.

6. Procedures

6.1 Receipt of Grant

1. The original Notification of Grant Award (NOGA) will be filed in the Fiscal Unit.
2. Copies of the NOGA will be sent to the appropriate State agencies as required by the State Administrative Manual (SAM).
3. A work program will be submitted as necessary to augment or revise budget authority for the acceptance of the grant award.
 - A. Federal grant program expenditures (with the exception of personnel costs) will be tracked in separate budget categories.
 - B. Federal grant revenue will be recorded in the appropriate general ledger according to the State Controller's Chart of Accounts.
4. Internal accounting records such as draw down ledgers, monthly budget reports, and obligation reports will be established.
5. Due dates for required fiscal reports will be maintained on a schedule.

6.2 Grant Budgeting and Internal Fiscal Reporting

1. The Fiscal Unit will be provided with a copy of the budget developed for any discretionary grant by the RD Unit.
2. Monthly reports showing the budget for the grant, expenditures through the end of the month, obligations pending and the balance of the grant to spend will be prepared and submitted to management and program staff. The status of any match requirements will be included in the monthly reports.
3. Funds received from the Administration on Aging (AoA) through the Older Americans Act (OAA) must be obligated within one year of receipt. All obligations must be liquidated within the following two years giving a total of three years to spend the funds. To track the obligations and ensure that all funds are spent, obligation records for each entitlement are established.
 - A. Obligations can consist of personnel costs, travel costs, subgrants, contracts, and other program costs as allowed in

- the OAA.
- B. Sub-grants and approved contracts are recorded as obligations. Personnel costs are recorded as obligations based on the Division's budgeted allocation of Personnel costs. Other obligations will be recorded as directed by Division administration.
- 4. Funds received from the US Department of Education through the Special Education – Grants for Infants and Families with Disabilities program, not obligated at the end of the Federal funding period specified, shall remain available for obligation for an additional period of 12 months.

6.3 Federal Cash Management

- 1. Federal grant funds will be managed in accordance with the Cash Management Improvement Act (CMIA), and the provisions of A-102 and 2 CFR Part 215 and good business practices.
- 2. All expenditures of federal funds will be allowable, allocable, necessary, reasonable, and consistently treated.
- 3. Expenditure of grant funds will also be in compliance with the terms of the grant agreement.
- 4. All positions will be supported with time studies accounting for all of the activity for which the employee is compensated.
- 5. Costs not identified as a direct charge to a federal grant will be allocated based on the Division's approved Cost Allocation Plan.
- 6. All federal funds drawn in and expended will be tagged with an identifying number as required by the State Controller's Policy regarding federal cash management.7. A cash reconciliation will be prepared on a regular basis to identify the receipt and expenditure of all federal funds in each budget account. The reconciliation will calculate an ending cash balance for all federal revenue in the budget account, and will also provide the amount of any state cash used to match federal funds.
 - A. Based on the ending cash balances and any known pending obligations of federal funds, a request for funds is prepared to draw in adequate cash to cover the anticipated federal obligations. The request for funds is submitted to the State Treasurer's Office who processes the actual request to the Federal Treasury. The funds are wired to the State and deposited into the Division's budget account.
 - B. All draw down requests are recorded in the appropriate draw ledger. The balance of funds remaining is analyzed to ensure the grant is not overdrawn.

6.4 Federal Reporting

1. Federal Financial Reports (FFR425) are prepared quarterly, semi-annually or annually as required by the grant.
 - A. Information to be reported should be taken from the monthly report compiled for the grant and must balance to the Budget Status Report (BSR) for the budget account.
 - B. The report required for Title III is a compilation of expenditure information reported by the subgrantees and administrative and other program expenditures incurred by the Division. This information is obtained from financial reports submitted by subgrantees, and from the BSR for the budget account.
 - C. Worksheets to compile this information are included in an Excel file, and are filed with the completed reports in the Division's files as supporting documentation for the report.
2. The Payment Management System requires a quarterly report (PMS report) to account for all cash transactions for grants received from the Department of Health and Human Services. This report is compiled at the State Department of Health and Human Services, Director's Office for the entire department from information received from all divisions. The Director's Office notifies the Division of the date due each quarter.
 - A. The information is compiled from the BSR, monthly grant budget status reports and obligations reports.
 - B. The worksheets used to compile the report are contained in an Excel file, and are printed as backup documentation for the report.
3. Other reports are required annually by the Administration on Aging. These reports have fiscal and program components. The reports will be coordinated between the Fiscal and RD Units.
4. An annual State Single Audit report is prepared and submitted to the State Controller's Office. The deadline for this report is established by the Controller's Office as is the reporting format. This report compiles all revenue and expenditure information for each federal grant received during the state fiscal year.

6.5 Sub-granting Federal Grant Awards

1. The Division subgrants funds to entities for the provision of senior services as allowed under OAA.
2. The RD Unit establishes procedures for the application process, evaluates the applications received, and makes recommendations for funding.

3. The Fiscal Unit determines the total amount of funding available to sub-grant, and the amount of funding to be allocated to each county per the funding formula for Title III B and C funds.
4. The RD Unit processes the Notification of Grant Award (NGA) for each sub-grant upon approval of the Administrator.
5. The Fiscal Unit records each sub-grant in the obligation record.

6.6 Fiscal Monitoring of Subgrants

1. All subgrants will be monitored to determine compliance with grant requirements.
2. On-site visits will be conducted for those programs at highest risk.
3. Fiscal monitoring will consist of:
 - A. Quarterly review of financial reports submitted by subgrantees to determine compliance with cash management requirements.
 - B. Development of a monitoring plan and checklist for the final monitoring at the end of the grant period.
 - C. Complete an on-site or desk review as necessary and according to the monitoring plan.
 - D. Prepare work papers to support the findings, judgments and conclusions in the monitoring report.
 - E. Preparation of a written report summarizing any findings and recommendations, and including total program expenditures, match provided, program income contributed, carry over, and amount, if any, to be de-obligated.
 - F. Review any corrective action taken on recommendations contained in the written report.

FISCAL ADMINISTRATION

BUDGET, CASH RECONCILIATIONS & DRAWS

The Aging & Disability Services Division (ADSD) maintains 7 budget accounts, B/A 3140-Tobacco Settlement Program which contains the funds ADSD receives from the Tobacco settlement for Independent Living Grants, B/A 3151- Aging Federal Programs and Administration which contains the federal grant programs, B/A 3156-Senior RX & Disability RX which contains the funds ADSD receives from the Tobacco settlement for Senior and Disability RX Programs, B/A 3256 DHR/Aging Services Gift Acct which contains funds donated to the Aging programs, B/A 3266-Community Based Services which contains funding for ADSD Programs, B/A 3276-IDEA Part C Compliance which contains funding from the federal Dept of Education for administration of the IDEA Part C Program and B/A 3284-Disability Services Gift Acct which contains funds donated to the Disability programs.

Every Monday, the weekly Budget Status Reports (BSR) are downloaded from the Controller's Office. These reports compile all financial information including budgetary funding, receipts, and expenditures within a budget account with detail by budget category. The financial information is reported for both the current period and on a year-to-date basis.

Each week, the Accounting Assistant 2 reconciles the BSR reports to the pending files. The Accountant Technician 2s and Management Analyst 2 prepare the cash reconciliation and list the pending vouchers & outstanding obligations on a spreadsheet

for their assigned budget account(s). This information is combined to determine if it is necessary to request Federal Funds to cover federal expenses.

Reconciliation of the Budget Status Reports (BSR)

All completed payable documents are held in the pending file until these have cleared the BSR.

- Reconcile the BSR with the pending documents, by comparing the document numbers and amounts.
- The reconciled payable documents are stamped nPAIDd with the BSR date or the warrant number and warrant date and filed in the vendor files in document type and document number order.

Posting of the Payroll Projections

For each pay period, the HR Data Warehouse reports detail cost information for each employee including salary and fringe costs in the Payroll Accounting i Budget Status Research section. This information is posted to the Payroll Projection spreadsheet each pay period for each budget account. The Payroll Projection spreadsheets track salaries for employees paid out of each budget account and funded by federal grants. The information is later used to perform the cash reconciliations.

- Retrieve the information from Payroll Accounting A Budget Status Research in the HR Data Warehouse and post the current pay period salary amount for the employees listed on the Payroll Projection spreadsheet.
- These figures will be posted to the Cash Reconciliation.

FISCAL ADMINISTRATION

Posting the Cash Reconciliation

These spreadsheets are used to determine the state and federal cash balances for each program.

- Retrieve the cash reconciliation file for the appropriate budget account.
- Update the revenue figures on the cash reconciliation using the Cash Rec Query from the Grants database. This is necessary because funds from more than one federal grant may be deposited into a single revenue GL. The amounts on the cash reconciliation spreadsheet must be cumulative and must balance to the amounts on the BSR. The . appropriation amounts will not normally change. They are the amount of general funds appropriated by the Legislature during the legislative process.
- Update the expenditure figures for each category using the BSR.
- Post the cumulative salary amounts (actual) from the Payroll Projection spreadsheet to the eadjustment column on the cash reconciliation. These amounts are posted as a reduction to the category 01, Personnel expense, and as an additional expense in the corresponding program category.
- For B/A 3151 - A cash match is required for Title IIIB (excluding Ombudsman salaries), Title IIIC1 and Title IIIC2 expenditures. Program expenditures are matched with \$1 state dollar out of every \$18 expended. This match is calculated in each program category in the t total state expenditure column. The match should not exceed the amount of the General Fund appropriation for the category.

- All ototali and cash balance columns will be automatically calculated.
- The Cash Reconciliation I revenues less expenditureso must balance to the BSR, , Realized Funding Availablet amount.

Posting the Vouchers Pending

- Post all pending vouchers from the f pending queries, located in the Voucher Database, including any vouchers already processed, but not yet cleared and any short term outstanding Purchase Orders to the Pending Vouchers sheet in the Cash Rec spreadsheet.

Posting the Outstanding Obligations

- Post all outstanding obligations from the npendingl queries, located in the Voucher Database, including any monthly obligations and long term projections to the pOuts ObligO sheet in the Cash Rec spreadsheet.

Determining Federal Funds Needed

The Draws sheet in the Cash Rec spreadsheet is used to determine the amount of Federal Funds needed to meet current obligations.

- Post the nFederal Cash Balancesd from the Cash Rec to the sCash on Handf section of the Draws sheet.
- Post any pending Federal Draw deposits to the yPending Revenuen line of the Cash on Hand section. This will be added to the cash on hand balance.
- The dPending VouchersP figures are linked to the Pending Vouchers sheet and will be deducted from the cash on hand.
- The ending cash on hand figure will usually be negative. This is the amount

FISCAL ADMINISTRATION

of funds which will need to be requested in order to meet the current obligations.

To be in compliance with the Federal Cash Management Improvement Act, a grantee cannot have more cash than is necessary to meet immediate cash needs. Therefore, it is necessary to complete the cash reconciliation and cash on hand worksheet each week to avoid excessive cash balances.

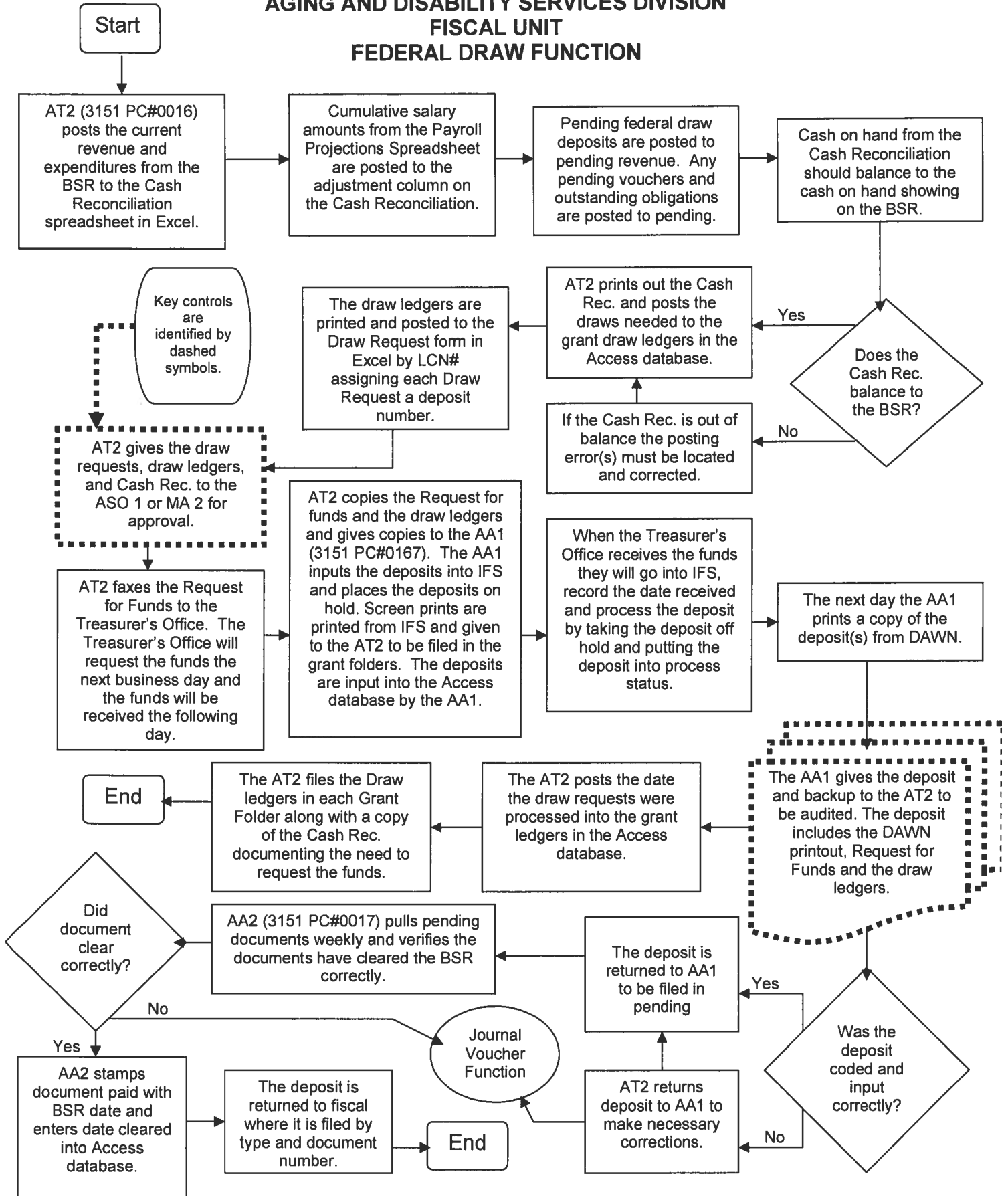
Preparing the Federal Draw Request
Federal funds are drawn utilizing the Payment Management (PMS) and G5 Systems. The State Treasurer's Office is responsible for processing the Division's request to the system. The requests for funds are processed on an Incoming Funds Notification form.

- For each grant needing funds, open the FDrawLedgera form in the Grants database and locate the appropriate grant.
- Post the document number and draw amount to the ledger sheet for each grant and print the ledger.
- Retrieve the appropriate Incoming Funds Notification spreadsheet from the NRequest for Funds sub-directory. Enter the date of the request and the amount to be requested for each grant/entitlement and print the Incoming Funds Notification.
- The Incoming Funds Notification, cash reconciliation and draws sheet are reviewed and approved by the appropriate Administrative Services Officer I (ASO1).
- A copy of the Incoming Funds Notification, with draw ledgers attached is given to the Accounting Assistant 1,

who will post the draw in Advantage, place it on hold and post the document to the Voucher database. The Accounting Assistant 1 will do a screen-print of the deposit and give it to the Accountant Technician 2 or Management Analyst 2 who processed the draw and place the Incoming Funds Notification, with draw ledgers attached in the i pending deposits file. The Accounting Technician 2 or Management Analyst 2 will attached the Incoming Funds Notification to an email addressed to cOST Cash , with a copy to the ASO1 and file the Incoming Funds Notification, cash rec, draw spreadsheet and screen prints in the appropriate grant file.

- Draws are due by 10:00 AM unless otherwise notified by the State Treasurer. The funds will be wired into the Division's budget account from the Federal Treasury two business days after they are requested. Draws will be processed on Tuesdays unless special circumstances arise.
- A copy of the email to OST Cash, the confirming email from OST Cash showing receipt of the draw request and the i processedt email from OST Cash showing our document has been taken off hold and receipt of the federal cash will be printed and filed with the copies in the epending depositsd file.
- Each week the Accounting Assistant 2 reconciles the pending requests with the documents processed on the BSR and files the documents in the appropriate deposit folder.

AGING AND DISABILITY SERVICES DIVISION FISCAL UNIT FEDERAL DRAW FUNCTION



Approval _____ Date _____

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-39:

Social Services Block Grant, CFDA 93.667:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , State cost principles requirements apply to the Social Services Block Grant program. The State of Nevada allocates costs in compliance with <i>OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments</i> , which provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, the cost must be adequately documented and allocable to the Federal award. A cost is allocable to a cost objective if the goods or services involved are assignable to a cost objective in accordance with relative benefits received.
<i>Condition and Context:</i>	As part of our testing over Activities Allowed and Allowable Costs, we tested a sample of 25 transactions for conformance with the criteria contained in <i>OMB Circulars A-133 and Circular A-87</i> . We noted that certain charges, including motor pool, email, telephone and wireless telephone costs were allocated to various programs based on the number of personnel positions assigned to the programs. For four of the transactions tested, those types of costs were not allocated to the various programs in proportion to the number of personnel positions assigned to the program, and instead the entire amounts were charged to the Social Services Block Grant program. As a result, amounts not allocable to the Social Services Block Grant were charged to the award.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Unallowable costs may have been charged to the Federal program.
<i>Cause:</i>	The Nevada State Health Division did not have adequate procedures in place to ensure that amounts charged to the Federal program were appropriately allocated.
<i>Recommendation:</i>	We recommend that the Nevada State Health Division enhance procedures to ensure that amounts charged to Federal programs are appropriately allocated.
<i>Management's Response:</i>	See management's response on page 225.



DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIRECTOR'S OFFICE
4126 Technology Way, Suite 100
Carson City, Nevada 89706
Telephone (775) 684-4000 • Fax (775) 684-4010
<http://dhhs.nv.gov>

March 12, 2012

Ms. Lydia Peele
Office of Community Services
Administration for Children and Families
U. S. Department of Health and Human Services
370 L' Enfant Promenade, SW
Washington, DC 20447

Dear Ms. Peele:

Kafoury, Armstrong & Co. CPAs performed an annual Single Audit of the Title XX Social Services Community Block Grant, CFDA 93.667, active during the Nevada fiscal year 2011, which ended June 30, 2011. The grant is administered by the Department of Health and Human Services, Director's Office.

Finding 11-39 resulted in the following recommendation:

"We recommend that the Nevada State Health Division enhance procedures to ensure that amounts charged to Federal programs are appropriately allocated."

Nevada State Health Division Response:

The Administrative Services Officer IV of the Nevada State Health Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-39:

During state fiscal year 2011, coding for bills was not allocated on each monthly bill according to the Nevada State Health Division cost allocation methodology. Instead, each budgeted funding source was used to pay bills until that funding source was exhausted. The correct way would have been to allocate the correct percentage of each bill to each revenue source using the established cost allocation methodologies. In state fiscal year 2012, the Nevada State Health Division will consistently apply the cost allocation methodologies to all expenditures and ensure the results comply with applicable sub-grant agreements.

Administration for Children and Families
March 12, 2012
Page 2 of 2

If you have any questions, please feel free to contact me at 775-684-3494 or via e-mail at bonnie.callahan@dhhs.nv.gov.

Sincerely,



Bonnie Callahan
Administrative Services Officer III

cc: Shannon Ryan, Deputy Legislative Auditor, Legislative Council Bureau
Debbie Clark, CPA, Kafoury, Armstrong & Co.
Mike Torvinen, Deputy Director, Fiscal Services, DHHS, Director's Office
Laurie Olson, Chief, Grants Management Unit, DHHS, Director's Office
Phil Weyrick, Administrative Services Officer IV, Health Division, Administration
Gary Long, Budget Analyst III, Health Division, Administration

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-40:

Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658 and 93.658A on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The *OMB Circular A-133 Compliance Supplement* provides that State responsibilities include ensuring that benefits paid to or on behalf of the individuals are in compliance with the requirements of the program. In order to receive the Federal share of Foster Care payments, the State must have determined that the child is eligible under the IV-E program.

As part of our testing over eligibility, we reviewed a sample of 40 cases of Foster Care benefit recipients to ensure that appropriate eligibility determinations were made and payment amounts were correct. We noted one case in which the required judicial determinations were not received, resulting in a period of ineligibility for IV-E reimbursement.

Questioned Costs: Undetermined.

Effect: Federal reimbursement may have been received for children who were not IV-E eligible.

Cause: The Nevada Division of Child and Family Services did not have adequate controls in place to ensure that Federal reimbursements were requested only for IV-E eligible children.

Recommendation: We recommend the Nevada Division of Child and Family Services enhance controls to ensure that Foster Care reimbursements are requested only for IV-E eligible children.

Management's Response: See management's response on page 234.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-41:

Foster Care – Title IV-E:

Foster Care, CFDA 93.658

ARRA – Foster Care, CFDA 93.658A

Adoption Assistance – Title IV-E:

Adoption Assistance, CFDA 93.659

ARRA – Adoption Assistance, CFDA 93.659A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658, 93.658A, 93.659 and 93.659A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> provides that a foster family home provider must satisfactorily have met a criminal records check, including a fingerprint-based check, with respect to prospective foster and adoptive parents. Additionally, a IV-E agency must check, or request a check of, a State-maintained child abuse and neglect registry for prospective foster and adoptive parents and any other adult(s) living in the home in the preceding five years before the State can license or approve a prospective foster or adoptive parent. For interstate cases, the requirements are met by obtaining and retaining a copy of the individual's license from the other State.
<i>Condition and Context:</i>	As part of our testing over eligibility, we examined a sample of 40 Foster Care and 40 Adoption Assistance cases for appropriate documentation that the above requirements were met. We noted seven case files that did not include documentation to support compliance with the requirements noted above. One of the foster parent files and one of the adoptive parent files did not include documentation that a fingerprint-based background check was successfully completed. One adoptive parent file did not include documentation that a child abuse and neglect registry check was successfully completed. The license was not obtained for one interstate adoptive parent. Finally, three case files for adoptive parents were not available, and therefore did not provide support of compliance with the requirements.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	Payments may have been made to individuals who were not eligible to receive such payments.
<i>Cause:</i>	The Nevada Division of Child and Family Services did not have adequate controls in place to ensure that the required background and abuse checks were performed for all prospective foster and adoptive parents.

Recommendation: We recommend the Nevada Division of Child and Family Services enhance the controls in place to ensure that the required background and abuse checks are performed for all prospective foster and adoptive parents.

Management's Response: See management's response on page 235.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-42:

Foster Care – Title IV-E:

Foster Care, CFDA 93.658

ARRA – Foster Care, CFDA 93.658A

Adoption Assistance – Title IV-E:

Adoption Assistance, CFDA 93.659

ARRA – Adoption Assistance, CFDA 93.659A

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658, 93.658A, 93.659 and 93.659A on the Schedule of Expenditures of Federal Awards.

Criteria: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

Condition and Context: As part of our audit procedures, we tested one of the two subrecipients to verify that the Nevada Division of Child and Family Services ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that the audit report for the subrecipient tested included audit findings related to both the Foster Care and Adoption Assistance programs; however, the Nevada Division of Child and Family Services did not issue management decisions for those audit findings or monitor the corrective action plans.

Questioned Costs: None.

Effect: Noncompliance at the subrecipient level may continue to occur if the Nevada Division of Child and Family Services does not issue management decisions and monitor the corrective action plans.

Cause: The Nevada Division of Child and Family Services does not have adequate procedures in place to ensure that management decisions are issued for subrecipient audit findings and to monitor the corrective action plans.

Recommendation: We recommend the Nevada Division of Child and Family Services enhance procedures to ensure management decisions for subrecipient audit findings are issued and to monitor the corrective action plans.

Management's Response: See management's response on page 236.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-43:

Foster Care – Title IV-E:

Foster Care, CFDA 93.658

ARRA – Foster Care, CFDA 93.658A

Adoption Assistance – Title IV-E:

Adoption Assistance, CFDA 93.659

ARRA – Adoption Assistance, CFDA 93.659A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658, 93.658A, 93.659, and 93.659A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, name of the Federal awarding agency, and the provisions of the American Recovery and Reinvestment Act (ARRA) funds, when applicable.
<i>Condition and Context:</i>	As part of our testing over subrecipient monitoring, we reviewed one of the two interlocal agreements with subrecipients for communication of required information, and noted that the agreements did not include the CFDA title and number nor communication of ARRA provisions.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.
<i>Cause:</i>	The Nevada Division of Child and Family Services did not have adequate procedures in place to ensure that the CFDA title and number and ARRA provisions were included in the interlocal agreements.
<i>Recommendation:</i>	We recommend the Nevada Division of Child and Family Services implement procedures to ensure that the CFDA title and number and ARRA provisions are included in the interlocal agreements.
<i>Management's Response:</i>	See management's response on page 237.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-44:

Adoption Assistance – Title IV-E:

Adoption Assistance, CFDA 93.659

ARRA – Adoption Assistance, CFDA 93.659A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.659 and 93.659A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in the <i>OMB Circular A-133 Compliance Supplement</i> , a IV-E agency is required to spend an amount equal to any savings in State expenditures under Title IV-E as a result of applying the differing program eligibility rules to applicable children for a fiscal year to provide any service that is permitted under Title IV-B or IV-E.
<i>Condition and Context:</i>	The Nevada Division of Child and Family Services applied the differing program eligibility rules during the fiscal year ended June 30, 2011, and represented that the amount of savings that might have occurred as a result was not tracked and procedures were not in place to ensure that those savings were used for services permitted under Title IV-B or IV-E.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	Amounts related to savings that may have occurred as a result of applying the differing program eligibility rules may not have been used as permitted.
<i>Cause:</i>	The Nevada Division of Child and Family Services does not have procedures in place to ensure that savings that may occur as a result of applying the differing program eligibility rules are tracked and used as permitted.
<i>Recommendation:</i>	We recommend the Nevada Division of Child and Family Services implement procedures to ensure that savings that may occur as a result of applying the differing program eligibility rules are tracked and used as permitted.
<i>Management's Response:</i>	See management's response on page 237.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-45:

Adoption Assistance – Title IV-E:
Adoption Assistance, CFDA 93.659
ARRA – Adoption Assistance, CFDA 93.659A

Grant Award Number: Potentially affects all grant awards included under CFDA 93.659 and 93.659A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* provides payments made to or on behalf of eligible individuals are to be calculated in accordance with program requirements. In order to receive Adoption Assistance payments, there must be a written adoption assistance agreement between the adoptive parents and the IV-E agency (the State). The amount of assistance to be paid on a monthly basis is specified in the agreement, and is evaluated on a yearly basis. If the annual evaluation indicates that an adjustment to the assistance amount should be made, based on need or circumstances, an amended adoption assistance agreement should be made.

Condition and Context: As part of our testing over eligibility, we reviewed a sample of 40 Adoption Assistance payments to ensure payments were made on behalf of eligible individuals and for the amount specified in the adoption assistance agreement. For three payments, the amount varied slightly from the amount provided in the Adoption Assistance Agreement. For two payments, the amount was significantly higher than the amount specified in the adoption assistance agreement, presumably due to an amendment of the original agreement; however, amended adoption assistance agreements were not available to support the amounts paid.

Questioned Costs: The Federal portion of known questioned costs is \$1,821.

Effect: Adoption Assistance payment amounts were not supported by adoption assistance agreements.

Cause: The Nevada Division of Child and Family Services did not have adequate controls in place to ensure that Adoption Assistance payments were made for the amounts specified in the adoption assistance agreements and to ensure amended adoption assistance agreements were obtained when necessary.

Recommendation: We recommend that the Nevada Division of Child and Family Services enhance controls to ensure that Adoption Assistance payments are made for the amounts specified in the adoption assistance agreements, and to obtain amended adoption assistance agreements when necessary.

Management's Response: See management's response on page 238.



**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF CHILD AND FAMILY SERVICES**

**4126 Technology Way – 3rd Floor
Carson City, Nevada 89706
(775) 684-4400**

March 8, 2012

Mr. Joseph M. Lonergan
Director, Office of Mandatory Grants
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, SW
Washington, D.C. 20447

Dear Mr. Lonergan:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs administered by the State of Nevada, Division of Child and Family Services (DCFS) for the fiscal year ended June 30, 2010. Included in the audit were the Title IV-E Foster Care, CFDA 93.658 and Adoption Assistance, CFDA 93.659 entitlement grants. In conclusion to the exit conference on February 29, 2011, Kafoury, Armstrong & Co. findings 11-40 through 11-45 concern these programs. This letter serves as our response to the findings and recommendations:

Finding 11-40 resulted in the following recommendation:

"We recommend the Nevada Division of Child and Family Services enhance controls to ensure that Foster Care reimbursements are requested only for IV-E eligible children."

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. The auditor noted one case in which the required judicial determinations were not received, resulting in a period of ineligibility for IV-E reimbursement. DCFS concurs that there was a delay in obtaining a court hearing at the 12 month redetermination, resulting in a 7 month lapse of ineligibility for reimbursement of a Title IV-E foster care maintenance payment with respect to the requirement that a judicial determination regarding reasonable efforts to finalize a permanency plan which must be made within 12 months of the date the child is considered to have entered foster care and every 12 months thereafter. The eligibility criteria in UNITY was updated during a subsequent review which reversed the IV-E reimbursement, adjustments were made in the UNITY system and are included in a prior quarter adjustments to the Federal IV-E claim.

Current initiatives:

Nevada's child welfare system has undergone 2 Federal Child and Family Services Reviews (CFSR), the last occurring in 2009. The CFRSs are designed to examine State programs from two perspectives. First, the reviews assess the outcomes of services provided to children and families. Second, they examine systemic factors that affect the ability of State agencies to help children and families achieve positive outcomes. The CFRSs analyze strengths and areas needing improvement with respect to seven

outcomes and seven systemic factors. In response to the findings of the CFSR, a Program Improvement Plan (PIP) was created which last for two consecutive years.

Nevada is currently in its second year of its PIP and the court system has been a critical partner the last year. The courts assisted in the creation of the action steps, specifically Strategy #3 within the PIP *Improve the Timeliness and Appropriateness of Permanency Planning across the Life of the*. Within Strategy #3, the courts were asked to identify barriers to permanency, timely adoption, and termination of parental rights. Work groups or "community improvement councils" (CIC) have proven to be very effective in other states and because the Judiciary is a key component to the system, they would know best what the local issues are and how best to resolve them. Justice Nancy Saitta asked each district court judge involved in child welfare cases in each of Nevada's nine judicial districts to convene a Community Improvement Council (CIC) composed of key local stakeholders and other systems partners such as district attorneys, child welfare agency staff, CASAs, GALs, and other interested parties. Such a team as this can create the opportunity to gain substantial amounts of information from different vantage points, review how the system operates, better understand root causes or issues, identify possible areas of change or improvement, and develop and implement solutions that are acceptable to the entire community. Judges are essential to the establishment and operation of these teams or CIC's. Each of our nine judicial district's CICs has submitted an action plan outlining how they intend to resolve the barriers they have found to be impediments to the smooth and timely functioning of their system. The majority of the strategies outlined in these action plans from across the entire state are within the control of the agencies involved, and for the most part do not require additional resources. These activities will be completed by November 2012.

Corrective Action:

Fiscal activity was corrected, however the judicial activity is still pending, therefore, DCFS would need to ensure successful completion of the PIP items related to Strategy #3 with a completion date no later than November 2012.

Finding 11-41 resulted in the following recommendation:

"We recommend the Nevada Division of Child and Family Services enhance controls in place to ensure that the required background and abuse checks are performed for all prospective foster and adoptive parents."

DCFS Response:

DCFS conducted an internal review of the cases that were found to be areas of non compliance to assess where there were gaps in procedures due to the seriousness of this finding (See Attachment #1). The internal review found the most common mistake was not placing a copy of the fingerprint results and CANS checks in the physical file. The UNITY system is the Division's system of record, and there was clear documentation in the UNITY system that the caseworker had noted that the foster and adoptive parents were cleared through those processes in all cases and the documentation was clear. The Division believes there are adequate measures in place to ensure the background and abuse checks are conducted on all prospective foster and adoptive parents. What the Division does believe needs to be improved is keeping a hard copy of those results in the physical file as evidence of completion due to the cited errors were a result of not being able to locate the hard-copy documentation even though the UNITY system reflected that the activities were successfully completed in the individual case record.

In the last three years, the Division has been reviewed by the Administration for Children and Families (ACF) twice related to its background check and licensing procedures:

1. Title IV-E Federal Review March 2011. 80 cases were reviewed and 79 out of 80 were found to be in substantial conformity. Their final report had the following comment:

—

We are pleased to inform you that the Children's Bureau has determined that Nevada's DCFS Title IV-E foster care program is found to be in substantial compliance with Federal eligibility requirements for the Period Under Review. We commend the state for its excellent attention to each of the title IV-E eligibility requirements.

2. Federal Child and Family Services Review September 2009. Item 43 Requirements for criminal background checks was reviewed and found Nevada to be in substantial conformity, more specifically they noted:

"The State conducts Criminal Background checks, Child Abuse and Neglect checks for all adults in the home, relative and staff of child care institutions before placing children in the home"

DCFS believes there are processes in place to ensure children are placed only when providers have been cleared criminally and civilly. We do not believe that we have placed children in homes without ensuring that the background and CANS check procedures were completed as evidenced by the significant documentation in our UNITY system that noted in each case that it was done.

We respectfully request Finding 11-41 are re-worded to read:

Effect:

The Nevada Division of Child and Family Services was unable to verify in the physical file the processes completed related to fingerprint and/or CANS checks in 7 cases reviewed which causes concern that reviews of cases can't verify efforts made to ensure safety of children placed in foster and adoptive homes.

Cause:

The Division of Child and Family Services lacked hard copy evidence in the foster and adoptive files to verify that the fingerprint and/or CANS checks were completed for all foster and adoptive parents.

Recommendation:

We recommend the Nevada Division of Child and Family Services enhance their paperwork documentation in both the foster care licensing and adoption files to include a hard copy of the finger print and CANS checks results for all prospective foster and adoptive parents to verify efforts made to ensure children are placed safely.

Corrective Action:

DCFS Foster Care Licensing and Adoption Units will add a face sheet to all Foster and Adoptive files that consists of a check list of required information to include finger print and CANS checks. When creating the files and upon closure, staff will ensure that the information is contained in the file prior to sending to archives.

Finding 11-42 resulted in the following recommendation:

"We recommend the Nevada Division of Child and Family Services enhance procedures to ensure the management decisions are issued for subrecipient audit findings and to monitor the corrective action plans."

DCFS Response:

The Division of Child and Family Services accepts this finding and is initiating corrective action steps as noted below. _

Corrective Action:

The DCFS internal auditor ensures compliance with OMB Circular A-133 audit requirements by obtaining copies and monitoring subrecipient audits and issuing a written report to internal management. Procedural instructions will be implemented to include the requirement of issuing a management decision to subrecipients regarding audit findings and to monitor the subrecipient corrective action plans. The additional requirement steps will be taken beginning with the FY2011 Single Audit Reports issued for the subrecipients.

Finding 11-43 resulted in the following recommendation:

"We recommend the Nevada Division of Child and Family Services implement procedures to ensure that the CFDA title and number and ARRA provisions were included in the interlocal agreements."

DCFS Response:

The Division of Child and Family Services concurs that the CFDA title and number are not included in the current interlocal agreements in place with the two counties providing child welfare services.

Corrective Action:

DCFS will amend the interlocal agreements with the two counties providing child welfare services to add the Catalog of Federal Domestic Assistance (CFDA) title and number to include ARRA provisions to those agreements. In the future, the CFDA title and number will also appear in the Nevada Executive Budget documents prepared for the Clark County Integration and Washoe County Integration budget accounts for the pass-through of State and Federal funds to the two counties providing child welfare services.

Finding 11-44 resulted in the following recommendation:

"We recommend the Nevada Division of Child and Family Services implement procedures to ensure that savings that may occur as a result of applying the differing program eligibility rules are tracked and used as permitted."

DCFS Response:

The Division of Child and Family Services accepts this finding and has initiated immediate corrective action steps as noted below. The Maintenance of Effort (MOE) requirement is new under the Title IV-E Adoption Assistance Program Reinvestment:

Adoption agreements entered into during FY 2010 or thereafter for an "applicable child" - the child is categorically eligible and the maintenance payment is IV-E reimbursable. The new rule has a Maintenance of Effort (MOE) requirement - a IV-E agency is required to spend an amount equal to any savings in State or tribal expenditures under Title IV-E as a result of applying the differing program eligibility rules to applicable children for a fiscal year to provide any service that is permitted under title IV-B or IV-E (42 USC 673(a)(8)).

The Adoption Assistance eligibility criteria for the applicable child has a "phase-in" period based on the age of the applicable child beginning in FFY2010 with 16-18 year olds and decreases by two years for each fiscal year until a child of any age meets the applicable age requirements in FFY2018.

Corrective Action:

DCFS has implemented the revised adoption assistance eligibility criteria on child welfare services and a process for tracking the Adoption Subsidies for the "applicable child" in the UNITY system. A manual tracking system has been implemented to calculate any savings.

Kafoury, Armstrong & Co.
March 14, 2012
Page 5 of 5

Finding 11-45 resulted in the following recommendation:

"We recommend the Nevada Division of Child and Family Services enhance controls to ensure that Adoption Assistance payments are made for the amounts specified in the adoption assistance agreements, and to obtain amended adoption assistance agreements when necessary.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. It was found that for three payments, the amount varied slightly from the amount provided in the Adoption Assistance Agreement possibly due to an amendment to the original agreement, however the amended agreements was unable to be located.

Corrective Action:

DCFS will distribute a memo from the Administrator to all child welfare caseworkers, supervisors and managers as well as applicable fiscal staff outlining the procedures staff must follow and the importance of sending all amended agreements to the fiscal department immediately upon any change to the current adoption assistance agreement to ensure appropriate payments are made.

In addition, a Quality Improvement review will occur to choose a random sample of cases each year to monitor compliance with the current payments to ensure that they match with the current adoption subsidy payments. A report of findings will be developed for ongoing Quality Improvement activities.

The Division truly appreciates the time your agency has spent in conducting this audit and for providing us feedback to improve our internal procedures. We appreciate any consideration to the re-wording of 11-41 and look forward to our continued collaboration. Your audits historically, and in the future, are a valuable asset to improving our Division.

If additional information is required, please contact Danette Kluever, Deputy Administrator Support Services at 775 684-4414 or by email at dkluever@dcfs.nv.gov.

Sincerely,



Amber Howell, Acting Administrator

cc: Debbie Clark, CPA, Kafoury, Armstrong & Co., CPA
Michael Willden, Director, Department of Health and Human Services
Michel Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau, Audit Division
Jill Marano, Acting Deputy Administrator, Child Welfare, Division of Child and Family Services
Jeff Morrow, ASO IV, Division of Child and Family Services
Priscilla Colegrove, ASO III, Division of Child and Family Services
David King, Auditor, Division of Child and Family Services

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DIVISION OF CHILD AND FAMILY SERVICES

Internal Review in response to the Kafoury, Armstrong & Co., CPA's
Annual Single Audit

2 Foster Care files were noted in the audit as areas in non compliance and we found the following:

1. Volume I could not be located. However, the adoption file was located in archives. An initial licensing home study was found indicating that fingerprint-based background checks were completed in August 1999. In 2000, the family moved and the license was renewed and UNITY indicated that the Finger prints were conducted and cleared.
2. Unreadable fingerprints. In 2008 the State revised Policy 0515.0 Child Abuse and Neglect (CANS) and NCID Requirements for Prospective Foster and Adoptive Parents and was approved and disseminated in February 2009. While revising the policy, the issue of unreadable fingerprints was discussed. It is not uncommon that mining workers or manual labor type professions over time wear down their fingerprints. We sought guidance from our federal partners who advised us that if the first attempt at fingerprinting is unsuccessful, request a second set; if that is still unsuccessful, conduct a name based federal and state check. More specifically the policy reads:

0515.6.2 Procedures Necessary to Follow when Prospective Foster or Adoptive Parents have Unreadable or Missing Fingerprints due to Age, Disability or Occupation. *These alternative procedures are not to be used as an alternative to a State's/Agency's lack of technological capacity or use of improper techniques.*

A. Inability to Obtain Fingerprints Due to a Physical Disability

If the fingerprints are not legible, the child welfare agency responsible must conduct a name-based check of the NCID or it may develop and utilize another appropriately comprehensive criminal background check process. The agency must document in writing that this alternative procedure is for limited and case-specific situations, such as documenting that the prospective parent's disabling condition prevents fingerprinting.

B. Inability to Obtain Results Due to Low Quality Fingerprints

If, after submitting the fingerprints to NCID, the impressions are rejected by NCID, the child welfare agency may implement an alternative procedure to conduct a name-based check of the NCID or to use another appropriately comprehensive criminal background check process. Prints must be rejected two times before a name check request can be submitted.

For assistance in determining appropriate techniques and technologies, the child welfare agencies may contact the Criminal Justice Information Services (CJIS) Division at (202) 324-3000.

DIVISION OF CHILD AND FAMILY SERVICES
Internal Review in response to the Kafoury, Armstrong & Co., CPA's
Annual Single Audit

FINDINGS:

One of the cases had documentation within the UNITY system indicating that the background check was completed. The second case, the State also was unable to locate evidence, but believe there is a process in place to respond to this type of situation, however the revised policy occurred after the licensing of this case.

There were 5 adoption files that were identified as having errors in the audit. We found the following:

1. Adoption Finalized in November 2003. File was unable to be located. The foster parents were licensed from 1999-2004 and the license ended due to the adoption of the children. When the license was closed, the foster parents were in good standing according to UNITY documentation and the State authorized the adoption based on the adequate care of the children. The UNITY system indicated that annual CANS checks were conducted when the foster parents were licensed and the fingerprint results were completed in 1993.
2. Adoption Finalized in July 2003: A CANS print out wasn't located, however the UNITY system indicated that it had been completed, the home study was approved and fingerprints were completed.
3. California Adoption – The State was unable to obtain the licensing file, however there was an approved home study indicating that the home was approved. The Interstate Compact for the Placement of Children (ICPC) does not allow placement to be made without an approved home study which includes fingerprints and CANS clearance. The state's home study policy states:

The Home Study MUST include the finger print back ground checks ere conducted on all adults over the age of 18 in the home AND the results of the CANS checks on all adults living in the home, before the home study can be approved.
4. Adoption Finalized in August 2006: CANS was not located during the audit, however proof that CANS was completed was located in a subsequent licensing file. Screen shots in UNITY indicate the Fingerprints were cleared but the proof documents could not be located.
5. Adoption Finalized January 2009: CANS results were not available during the audit, however UNITY indicated that the finger prints and CANS were completed. We located the file in archives following the audit and discovered CANS checks and rolled fingerprints completed.

DIVISION OF CHILD AND FAMILY SERVICES

Internal Review in response to the Kafoury, Armstrong & Co., CPA's
Annual Single Audit

FINDINGS:

Our *Statewide Policy Training, Assessment and Licensing of Foster, Relative and Adoptive Homes* is the policy implemented to conduct Home Studies. This policy is designed to serve a Dual Licensure, meaning it is intended to be assessed and approved for families who wish to be licensed and can be used for adoption without having to start the process over. We have a number of families who end up adopting foster children that were placed in their licensed homes. In practice, we have a licensing file and an adoption file. Once the adoption process begins, a new file is created and not all documentation is copied to the adoption file which would include fingerprint results and CANS results because the licensing process has already ended and all requirements have been met.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-46:

Medicaid Cluster:

- ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative, CFDA 93.720A
- State Medicaid Fraud Control Units, CFDA 93.775
- State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777
- Medical Assistance Program, CFDA 93.778
- ARRA – Medical Assistance Program, CFDA 93.778A

Grant Award Number: Affects grant awards included under CFDA 93.775 on the Schedule of Expenditures of Federal Awards.

Criteria: OMB Circular A-133 requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements and include all activity of the reporting period.

Condition and Context: The Nevada Office of the Attorney General is required to submit quarterly Standard Form (SF) 425 Financial Reports for each active State Medicaid Fraud Control Units grant.

During testing of the quarterly SF-425 Financial Report submitted for the quarter ended March 31, 2011, we identified a keying error that caused total program expenditures in the report to be overstated by \$2,000.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Office of the Attorney General did not have adequate reconciliation and review procedures in place to ensure that amounts included in the SF-425 Financial Report were supported by the underlying accounting records.

Recommendation: We recommend the Nevada Office of the Attorney General enhance the reconciliation and review procedures over the reporting process and ensure that all amounts included in the SF-425 Financial Report reconcile to the underlying accounting records.

Management's Response: See management's response on page 243.



STATE OF NEVADA
OFFICE OF THE ATTORNEY GENERAL

100 North Carson Street
Carson City, Nevada 89701-4717

CATHERINE CORTEZ MASTO
Attorney General

KEITH G. MUNRO
Assistant Attorney General
GREGORY SMITH
Chief of Staff

March 1, 2012

Office of the Inspector General
Office of Management and Policy
Room 5545, HHS Cohen Building
330 Independence Avenue, S.W.
Washington, D.C. 20201

Attention: Alexis Lynady

Dear Ms. Lynady:

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of the Medicaid Cluster, active during the grant fiscal year 2011 from October 1, 2010 through September 30, 2011 and the State of Nevada fiscal year ending June 30, 2011. Kafoury, Armstrong's finding 11-46 concerns the State Medicaid Fraud Control Unit, CFDA 93.775:

Finding 11-46 resulted in the following recommendation:

"We recommend that the Nevada Office of the Attorney General enhance the reconciliation and review procedures in place to ensure that amounts included in the SF-425 Financial Report were supported by the underlying accounting records."

Nevada Office of Attorney General Response:

The State Medicaid Fraud Control Unit Management Analyst II for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 11-46:

The finding was based on a keying error in the quarterly SF-425 Financial Report submitted for the quarter ending March 31, 2011, overstating total program expenditures by \$2,000.00. The SF-425 was subsequently amended to reduce the total program expenditures by the \$2,000.00 that was overstated.

Written policies have been developed for the completion of the S-425 forms. This was done by Susan Hanshew, Management Analyst II and reviewed by Debra Crowley, Chief Financial Officer. Susan Hanshew will update the written policies to include more stringent review

Page 2

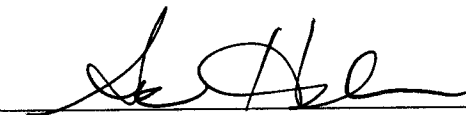
procedures for the reconciliation of the amounts stated in the SF-425 prior to its filing. The update to the procedures will be completed by Friday, March 23, 2012.

If you have any further questions, please contact me at (775) 684-1286 or shanshew@ag.nv.gov; or you may contact Debra Crowley, Chief Financial Officer of the Nevada Office of the Attorney General at (775) 684-1116 or dcrowley@ag.nv.gov.

Sincerely,

CATHERINE CORTEZ MASTO
Attorney General

By:



SUSAN HANSHEW
Management Analyst II
(775) 684-1286

Cc: Shannon Ryan, Audit Supervisor, LCB
Debra Crowley, CFO, Nevada Attorney General
Debbie Clark, Kafoury, Armstrong & Co.
State Medicaid Fraud Control Unit CFDA 93.775 Administrative Files

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF JUSTICE:

Finding 11-47:

Violence Against Women Formula Grants:

Violence Against Women Formula Grants, CFDA 16.588

ARRA – Violence Against Women Formula Grants, CFDA 16.588A

Grant Award Number: Affects the grant award included under CFDA 16.588A on the Schedule of Expenditures of Federal Awards.

Criteria: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

Condition and Context: The Attorney General’s Office is responsible for submitting quarterly 1512 reports for their ARRA grant.

During testing of the Section 1512 ARRA report submitted for the quarter ended March 31, 2011 for the ARRA grant award 2009-EF-S6-0006, we noted the amounts reported did not reconcile to the accounting system, which caused total expenditures reported to be understated by approximately \$183,000, and total funds received/invoiced reported to be understated by approximately \$185,000.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Office of the Attorney General did not have adequate reconciliation procedures in place to ensure that amounts included in the Section 1512 ARRA report were supported by the underlying accounting records.

Recommendation: We recommend the Nevada Office of the Attorney General enhance the reconciliation procedures to ensure that all amounts included in the Section 1512 ARRA report are supported by the underlying accounting records prior to submission.

Management’s Response: See management’s response on page 248.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF JUSTICE:

Finding 11-48:

Violence Against Women Formula Grants:

Violence Against Women Formula Grants, CFDA 16.588

ARRA – Violence Against Women Formula Grants, CFDA 16.588A

Grant Award Number: Affects the grant award included under CFDA 16.588A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

Condition and Context: As part of our audit procedures, we tested 25 disbursements; eight of which were for ARRA funds paid to subrecipients. During this testing, we noted that the Federal award number, CFDA number and the amount of ARRA funds were not identified as such at the time of the disbursement to subrecipients for all eight of those ARRA disbursements tested.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Office of the Attorney General did not have procedures in place to ensure that all information required to be provided to subrecipients under ARRA was communicated to subrecipients at the time of disbursement of funds.

Recommendation: We recommend the Nevada Office of the Attorney General implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated to subrecipients at the time of disbursement of funds.

Management's Response: See management's response on page 250.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF JUSTICE:

Finding 11-49:

Violence Against Women Formula Grants:

Violence Against Women Formula Grants, CFDA 16.588

ARRA – Violence Against Women Formula Grants, CFDA 16.588A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 16.588 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> provides that a pass-through entity is responsible for determining whether, for subawards made on or after October 1, 2010, an applicant for a non-ARRA subaward had provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award.
<i>Condition and Context:</i>	Out of a population of 40 subrecipients receiving program funds in fiscal year 2011, a sample of five was selected for subrecipient monitoring testing. We reviewed the subrecipient awards made in January 2011 and noted that the State did not obtain the subrecipient's DUNS number in the grant application or before those five awards were made, and program personnel represented that they were not aware of the requirement.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	As the DUNS number is a required field in the Federal Funding Accountability and Transparency Act (FFATA) reports, this could impact the ability of the Nevada Office of the Attorney General to submit complete FFATA reports in the future, if required.
<i>Cause:</i>	Subrecipient monitoring training was not adequate to ensure the Nevada Office of the Attorney General was aware of the requirement to obtain DUNS numbers prior to making subrecipient grant awards.
<i>Recommendation:</i>	We recommend the Nevada Office of the Attorney General implement procedures to ensure DUNS numbers are obtained from subrecipients prior to making subrecipient awards. Training programs should address the subrecipient monitoring requirements.
<i>Management's Response:</i>	See management's response on page 251.



STATE OF NEVADA
OFFICE OF THE ATTORNEY GENERAL

100 North Carson Street
Carson City, Nevada 89701-4717

CATHERINE CORTEZ MASTO
Attorney General

KEITH G. MUNRO
Assistant Attorney General
GREGORY M. SMITH
Chief of Staff

February 29, 2012

Kim Galvin, STOP Program Manager
Office on Violence Against Women
U.S. Department of Justice
145 N Street NE, 10th Floor
Washington, DC 20530

Dear Ms. Galvin:

Kafoury, Armstrong and Company CPAs performed the annual Single Audit of the Attorney General's Office (AGO) STOP grant program, CFDA 16.588, active during the Nevada fiscal year 2011, which ended June 30, 2011. Included in the audit was grant activity from STOP federal fiscal years 2008, 2009, 2010 and the 2009 ARRA-STOP (Recovery CFDA 16.588 A). Kafoury, Armstrong's findings 11-47 through 11-49 concerns the STOP ARRA (Recovery) and STOP programs. As the STOP Administrator and manager of the AGO Grants Unit, I am ultimately responsible for implementation of all corrective actions contained herein.

Finding 11-47 resulted in the following recommendation:

"We recommend that the Nevada Office of the Attorney General enhance the reconciliation procedures in place to ensure that amounts included in the Section 1512 ARRA report were supported by the underlying accounting records."

Nevada Office of Attorney General Response:

The "underlying accounting records" referenced here are the Budget Status Reports (BSR) and/or the Job Number Reports (JNR) extracted from the state's Advantage accounting system. The first STOP grant received by the AGO, was set up as its own Budget Account (1040) with separate expenditure categories applied for Personnel (Cat 01), Operations (Cat 04), etc. and for each STOP category: Law Enforcement (Cat 11), Prosecution (Cat 12), etc. As each subsequent STOP award was received, they were added to the existing Budget Account and Categories. When the AGO began receiving VAWA Discretionary Grants, and JAG and DHHS sub-grants, they received their own categories, except for personnel and operating expenses which were put in the existing Cat 01, 04, etc. This has made the BSR which is based on category expenses, virtually useless to distinguish between the personnel and administrative costs for individual grants and for the discipline-based categories of the STOP Grants.

All federal grants received by the AGO Grants Unit are assigned a unique job number that if applied accurately should enable us to track individual grant expenses through the JNR. However, personnel and administrative operating costs are expenses that are frequently initiated outside of our grants unit and in the case of personnel, outside of our agency, and either is not tagged with job numbers or we do not get a chance to preview for correct numbers. Personnel is particularly problematic as we have limited staff that allocates their time across multiple grants depending on the needs of each grant. Because personnel costs are not associated with job numbers, the individual JNR grant totals never equal the actual expenditures per grant, although our overall Budget Account may reconcile to the BSR. Because of our difficulty in reconciling individual grants completely to the existing reporting standards within Advantage, we have used Excel to try and track individual grants in their entirety. We have become increasingly aware that our spreadsheets have been tweaked and corrupted over the years in ways that have made them nearly obsolete as reconciling tools for accounting and reporting. These problems have been growing exponentially for the last few state fiscal years as the Grants Unit increased our grant awards from three individual STOP grants in SFY 2008 to the eleven individual VAWA, JAG and DHHS grants active in SFY 2011.

Nevada also requires legislative approval of federal grants to create work program revenue and expenditure authority within the Advantage system for each active grant during the state fiscal year. Due to the differences between the state fiscal year and grant periods, we have frequently found that work program revisions are needed to the existing authorities for various Categories within the Budget Account. Since these work program revisions must also balance within the entire Budget Account 1040 for the fiscal year, this sometimes requires a multiple revision process to completely fix an authority problem. These revisions nearly always require Interim Finance Committee (IFC) approval and are subject to the IFC calendar. While in this budget authority limbo, the Grants Unit frequently resorts to paying on-going sub-grantee expenditures from other grant categories and then journal vouchers corrections when IFC approval is finally received. The audit for SFY 2011 happened to review an ARRA quarter that was affected by one of these authority snafus that began in February 2011 and was not completely resolved until the June 2011 IFC meeting. This created administrative havoc and resulted in much of the JNR discrepancies noted for the audited period.

Although this problem was created by anomalies in the way that the VAWA grant budgets were previously set up and tracked, particularly regarding grant funded personnel costs, and the bureaucratic necessity of having budget authority revisions approved by the Nevada Interim Finance committee which only meets every 6-8 weeks, the STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will continue to initiate corrective actions as noted below.

Corrective Action for Finding 11-47:

Kafoury, Armstrong & Company, have been auditing the AGO Grants Unit annually since we began receiving the ARRA funding in SFY 2009. A very clear deficiency in our grant administration has been highlighted during these audits. Our grant acquisitions have grown faster than our administrative resources. Specifically, we need additional staff strength and expertise in the fiscal administration of grants. Accordingly, all Grants Unit staff attended Internal Controls Training and DAWN Training in the last year. Those with primary responsibility for fiscal matters and/or sub-grantee reimbursements have also taken additional DAWN, Excel and Advantage Training to directly enter grant payment and journal vouchers into the Advantage system.

We recently made Shelly Calvert, an account temp hired last March, a permanent employee designated as the Grants Unit Fiscal Officer. Ms. Calvert has an extensive background in grant fiscal

management within a governmental entity, an accounting and business degree and great expertise in Excel, Access and related programs. She has spent the last several months familiarizing herself with our grants, our Excel and Advantage accounting and tracking systems, and performing retroactive audits of our grants by both state fiscal year and individual grants back to SFY 2005 and FFY STOP 05. She has/is developing new individual grant and sub-grantee tracking spreadsheets, grant allocation timesheets and internal reporting that enables us to look at and reconcile each grant to the specifics required by our agency, state and federal reporting responsibilities, whether by SFY, Monthly, Quarterly, or Total Grant To-Date History, and by expense type, such as personnel, sub-grant, etc. These efforts include on-going staff review and testing to refine the results and ensure accuracy.

The AGO has given Ms. Calvert access to the Human Resources Management System to allow her to pull individual grant funded payroll histories so that she can more accurately allocate individual personnel expenses to the proper grants per individual time and effort reporting. She will then journal voucher those results to the applicable grants with the appropriate job numbers to give us an accurate JNR accounting – including personnel costs – that fully supports our quarterly fiscal federal reporting for ARRA 1512 and all grant SF-425s. This is in the testing phase of development, but we will apply it retroactively to all SFY 2012 expenses by June 30, 2012.

The STOP Administrator and Ms. Calvert have also been actively training with Debra Crowley, AGO CFO, to develop Grant Unit work programs and future biennial budgets to deepen our understanding of the state's budgeting process and to help alleviate some of the authority issues that have plagued our grants in the past. The STOP Administrator has also been strategizing with Ms. Crowley to modify and streamline the historical expenditure categories within Budget Account 1040 to allow a more immediate response to authority issues that arise within individual grants. We anticipate building this into the SFY 2014-2015 Grants Unit portion of the AGO biennial budget.

The ARRA grant expires April 30, 2012 and we will reconcile our JNR reports for ARRA so that we will provide a 100% accurate JNR to support for not only the final grant 1512, but also the SF-425 and GMS closeout reports due no later than July 29, 2012.

We anticipate being in full compliance with this finding by the close of SFY 2012 in July 2012 for ARRA specifically and all grants generally going forward into future fiscal years.

Finding 11-48 resulted in the following recommendation:

“We recommend that the Nevada Office of the Attorney General implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated to subrecipients at the time of disbursement of funds.”

Nevada Office of Attorney General Response:

The STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below. Further, the STOP Administrator recognizes that this corresponds to Finding 10-32 from last year and acknowledges that she simply forgot about it and failed to follow through appropriately.

Corrective Action for Finding 11-48:

All ARRA sub-recipients are individually contacted and monitored quarterly by our GPA, Clair Fry, who has been our primary contact and expert on ARRA and its reporting since August 2009. Ms. Fry

also initiates sub-grantee payment vouchers for grant reimbursements and currently ensures that all ARRA payments note the source of funding in the memorandum area of the payment vouchers for recipients. She began noting this on all ARRA reimbursement vouchers received from December 2011 onwards. We are currently in full compliance with this finding.

Finding 11-49 resulted in the following recommendation:

“We recommend that the Nevada Office of the Attorney General implement procedures to ensure DUNS numbers are obtained from subrecipients prior to making subrecipient awards. Training programs should address the subrecipient monitoring requirements.”

Nevada Office of Attorney General Response:

Although these FFATA requirements went into effect during SFY 2011, our federal sponsor, the Office on Violence Against Women (OVW), did not include this requirement within the FFY STOP 10 award received last year and included primarily in the funding for Victim Services (Cat 13), Discretionary (Cat 14) and Courts (Cat 19) sub-grants. Other sub-grants were funded from awards originating before FFATA went into effect. The 2009 ARRA grant did include this requirement and all ARRA sub-grantees are/have been compliant. OVW did include this requirement for their FFY STOP 11 awards received during SFY 2012. In spite of this requirement not being included for the STOP 10 award, the STOP Administrator for the Nevada Office of the Attorney General accepts this finding and has initiated corrective actions as noted below.

Corrective Action for Finding 11-49:

The VAWA Formula Grant Application for FFY 2011 included a requirement for applicants to register for DUNS and the Central Contractor Registration in order to be eligible for funding in the current sub-grant cycle (January - December 2012). All provisional sub-grantees must provide this information before their awards become effective. The Grant Unit also provided general pre-application technical assistance for potential applicants in the fall of 2011 and explicit post-award training for provisional sub-grantees in January 2012 on all aspects of their requirements and obligations under this pass-through funding. We are currently in full compliance with this finding.

If you have any further questions, please contact me at (775) 684-1148 or egreb@ag.nv.gov; or you may contact Debra Crowley, Chief Financial Officer of the Nevada Office of the Attorney General at (775) 684-1116 or dcrowley@ag.nv.gov.

Sincerely,

CATHERINE CORTEZ MASTO
Attorney General

By: 

ELIZABETH GREB, STOP Administrator

Cc: Shannon Ryan, Audit Supervisor, LCB
Debra Crowley, CFO, Nevada Attorney General
Debbie Clark, Kafoury, Armstrong & Co.
VAWA Admin Files

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. ENVIRONMENTAL PROTECTION AGENCY:

Finding 11-50:

Capitalization Grants for Clean Water State Revolving Funds (CWSRF):
Capitalization Grants for Clean Water State Revolving Funds CFDA 66.458
ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A
Capitalization Grants for Drinking Water State Revolving Funds (DWSRF):
Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
ARRA – Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

Grant Award Number: Potentially affects all grant awards included under CFDA 66.458A and 66.468A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

Condition and Context: As part of our testing, we reviewed a total of 25 ARRA payments made to subrecipients for the CWSRF and DWSRF programs during the year ended June 30, 2011. For all of the transactions tested, we noted that ARRA funds were not identified as such at the time of disbursement to subrecipients.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Department of Conservation and Natural Resources, Division of Environmental Protection did not have procedures in place to ensure that all required aspects of the ARRA funds were communicated to subrecipients.

Recommendation: We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated.

Management's Response: See management's response on page 255.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. ENVIRONMENTAL PROTECTION AGENCY:

Finding 11-51:

Capitalization Grants for Clean Water State Revolving Funds (CWSRF):

Capitalization Grants for Clean Water State Revolving Funds CFDA 66.458

ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A

Capitalization Grants for Drinking Water State Revolving Funds (DWSRF):

Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468

ARRA – Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

Grant Award Number: Potentially affects all grant awards included under CFDA 66.458 and 66.468 on the Schedule of Expenditures of Federal Awards.

Criteria: As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient at the time of award, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

Condition and Context: There were a combined total of twelve awards made to subrecipients for the CWSRF and DWSRF programs during the year ended June 30, 2011. As part of our testing over subrecipient monitoring we examined a sample of three of those awards for communication of required information, and noted that none of the awards tested included the CFDA number.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Department of Conservation and Natural Resources, Division of Environmental Protection did not have adequate procedures in place to ensure subrecipient awards contained all of the required information.

Recommendation: We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection enhance procedures to ensure subrecipient awards contain all of the required information.

Management's Response: See management's response on page 256.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. ENVIRONMENTAL PROTECTION AGENCY:

Finding 11-52:

Capitalization Grants for Clean Water State Revolving Funds (CWSRF):
Capitalization Grants for Clean Water State Revolving Funds CFDA 66.458
ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A
Capitalization Grants for Drinking Water State Revolving Funds (DWSRF):
Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
ARRA – Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

Grant Award Number: Potentially affects all grant awards included under CFDA 66.458A and 66.468A on the Schedule of Expenditures of Federal Awards.

Criteria: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

Condition and Context: During testing of the two Section 1512 ARRA reports required to be submitted for the quarter ended March 31, 2011 for the CWSRF and DWSRF programs, we noted amounts reported as expenditures and as funds invoiced/received could not be reconciled to the accounting records that support the audited financial statements.

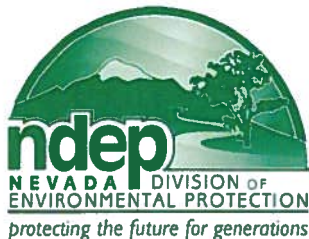
Questioned Costs: None.

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

Cause: The Nevada Department of Conservation and Natural Resources, Division of Environmental Protection did not have adequate procedures in place to ensure the Section 1512 ARRA reports agreed to the accounting records that support the audited financial statements. The amounts reported were from supporting worksheets that were not reconciled to the accounting records that support the audited financial statements.

Recommendation: We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection enhance procedures to ensure that the amounts reported as expenditures and receipts on the Section 1512 ARRA reports reconcile to the accounting records that support the audited financial statements.

Management's Response: See management's response on page 256.



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Brian Sandoval, Governor

Leo M. Drozdoff, P.E., Director

Colleen Cripps, Ph.D., Administrator

March 1, 2012

Miao Ling (Elaine) Huang, Accountant
USEPA, Region 9, MTS-4-2
75 Hawthorne Street
San Francisco, CA 94105
(415) 972-3707

Dear Ms. Huang,

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF) grant programs, CFDA's 66.468 & 66.458 respectively. These programs were audited for the State Fiscal Year 2011, which ended 6/30/2011. Included in the activity from the following grants:

DWSRF
0F00T04909 0 (ARRA)
FS99996008
FS99996010

CWSRF
CS-320001-2008
CS-320001-2009
2W-32000209-1 (ARRA)
CS-320001-2010

Kafoury, Armstrong's findings 11-50, 11-51, and 11-52 concern the DWSRF and CWSRF programs.

Finding 11-50 resulted in the following Recommendation:

"We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated."

Nevada Division of Environmental Protection (NDEP) Response:

The NDEP accepts this finding and has initiated corrective actions as noted below.

Corrective Action for Finding 11-50

Through the Treasurer's Office a process was implemented to code each transaction (wire transfer) funded with ARRA dollars.

Finding 11-51 resulted in the following Recommendation:

"We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection enhance procedures to ensure subrecipients awards contain all of the required information."

Nevada Division of Environmental Protection (NDEP) Response:

The NDEP accepts this finding and has initiated corrective actions as noted below.

Corrective Action for Finding 11-51

Although the CFDA number is noted on an annual letter to recipients detailing the total dollar amount received under each CFDA number for the fiscal year, the Division will include the CFDA number on the assistance agreement (contract), as well.

Finding 11-52 resulted in the following Recommendation:

"We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection enhance procedures to ensure that the amounts reported as expenditures and receipts on the Section 1512 ARRA reports reconcile to the accounting records that support the audited financial statements."

Nevada Division of Environmental Protection (NDEP) Response:

The NDEP accepts this finding and has initiated corrective actions as noted below.

Corrective Action for Finding 11-52

Procedures have been enhanced to ensure reconciliation with the State accounting system (DAWN) information to Division records and then to the data base used for reporting.

If you have any further questions, please contact me at (775) 687-9489 or ddobson@ndep.nv.gov or you can contact Adele Basham, Chief of Administrative Services at (775) 687-9488 or abasham@ndep.nv.gov.

Sincerely,



Daralyn Dobson
Administrative Services Officer III
Office of Financial Assistance
Phone: 775-684-5797
Fax: 775-684-9510
ddobson@ndep.nv.gov

cc: Shannon Ryan, Deputy Legislative Auditor, LCB
Debbie Clark, Kafoury, Armstrong & Co.
Steven Weinberger, Manager, Internal Controls

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF LABOR:

Finding 11-53:

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Grant Award Number: Potentially affects all grant awards included under CFDA 17.225 and CFDA 17.225A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* states that Administrative grant funds may be used only for the purposes and in the amount necessary for proper and efficient administration of the Unemployment Insurance program.

Condition and Context: We reviewed 25 disbursements to test compliance with the allowable cost requirements. We noted that one disbursement was for administration costs of a program unrelated to the Unemployment Insurance program.

Questioned Costs: Known questioned costs are \$44.

Effect: Unallowed costs were charged to the Unemployment Insurance program.

Cause: The condition noted above appears to have been caused by a clerical error that resulted in improper coding of the expenditure in the accounting system. Adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation to ensure all costs were charged to the correct Federal award program.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls to ensure that all costs are charged to the correct Federal award program.

Management's Response: See management's response on page 269.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF LABOR:

Finding 11-54:

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Grant Award Number: Potentially affects all grant awards included under CFDA 17.225A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* states that Federal Additional Compensation (FAC) is not payable for any claim established with an effective date after June 2, 2010.

Condition and Context: During our testing, we reviewed the benefit amounts paid to 40 individuals who received FAC payments during the fiscal year to ensure benefit payments were calculated correctly. We noted that seven claimants received FAC payments, although their claim was established after June 2, 2010.

Questioned Costs: Known questioned costs total \$325.

Effect: Claimants received FAC benefits that they were not entitled to.

Cause: Adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation to ensure FAC benefit payments were not paid for claims established after June 2, 2010.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation implement controls to ensure FAC benefit payments are not paid for claims established after June 2, 2010.

Management's Response: See management's response on page 269.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF LABOR:

Finding 11-55:

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Grant Award Number: Potentially affects all grant awards included under CFDA 17.225A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* states that Federal Additional Compensation (FAC) is not payable for any week of unemployment beginning after December 11, 2010.

Condition and Context: During our testing, we reviewed the benefit amounts paid to 40 individuals who received FAC payments during the fiscal year to ensure benefit payments were calculated correctly. We noted that 23 claimants received FAC payments for weeks of unemployment beginning after December 11, 2010.

Questioned Costs: Known questioned costs total \$625.

Effect: Claimants received FAC benefits that they were not entitled to.

Cause: The Nevada Department of Employment, Training and Rehabilitation utilize the General Unemployment Insurance Development Effort (GUIDE) system to process claim payments. Due to a system error, numerous benefit payments were re-issued for a certain period. Although the personnel at the Nevada Department of Employment, Training and Rehabilitation identified and voided the re-issued payments, the portion of the re-issued payments relating to FAC was not voided. Adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation to ensure FAC benefit payments were voided when the associated Unemployment Insurance payments were voided.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation implement controls to ensure benefit payments are FAC benefit payments are voided when the associated Unemployment Insurance payments are voided.

Management's Response: See management's response on page 270.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF LABOR:

Finding 11-56:

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Grant Award Number: Potentially affects all grant awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition and Context: The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the accounting system, we identified instances where expenditures related to grant numbers UI-19601-10-55-A-32, UI-21118-11-55-A-32, and UI-16765-05-55-A-32 were not correctly reported to the Controller's Office.

Questioned Costs: None.

Effect: The amounts included on the SEFA under the Unemployment Insurance program were understated by approximately \$650,000.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate controls and reconciliation procedures to ensure all Federal expenditures were accurately reported to the Controller's Office for inclusion on the SEFA.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls and implement a reconciliation process to ensure all Federal expenditures are reported accurately to the Controller's Office for inclusion on the SEFA.

Management's Response: See management's response on page 271.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF LABOR:

Finding 11-57:

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258

ARRA – WIA Adult Program, CFDA 17.258A

WIA Youth Activities, CFDA 17.259

ARRA – WIA Youth Activities, CFDA 17.259A

WIA Dislocated Workers, CFDA 17.260

ARRA – WIA Dislocated Workers, CFDA 17.260A

Grant Award Number: Potentially affects all grant awards included under CFDA 17.258A, 17.259A, and 17.260A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

In addition, the *OMB Circular A-133 Compliance Supplement* requires that expenditures of American Reinvestment and Recovery Act (ARRA) funds are identified as such on the SEFA.

Condition and Context: The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the SEFA, we found instances where ARRA funds transferred to and expended by the Nevada Department of Health and Human Services were not included on the SEFA.

Questioned Costs: None.

Effect: The ARRA expenditures reported on the SEFA were understated by \$9,500.

Cause: The Nevada Department of Employment, Training and Rehabilitation does not have adequate procedures in place to communicate to the Nevada Department of Health and Human Services the Federal award information, including the CFDA number and the fact that the related

expenditures are subject to inclusion on the SEFA, for funds transferred to and expended by other State agencies.

Recommendation:

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to communicate to the Nevada Department of Health and Human Services the Federal award information, including the CFDA number and the fact that the related expenditures are subject to inclusion on the SEFA, for funds transferred to and expended by other State agencies.

Management's Response:

See management's response on page 272.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF LABOR:

Finding 11-58:

Workforce Investment Act (WIA) Cluster:

- WIA Adult Program, CFDA 17.258
- ARRA – WIA Adult Program, CFDA 17.258A
- WIA Youth Activities, CFDA 17.259
- ARRA – WIA Youth Activities, CFDA 17.259A
- WIA Dislocated Workers, CFDA 17.260
- ARRA – WIA Dislocated Workers, CFDA 17.260A

Grant Award Number: Potentially affects all grant awards included under CFDA 17.258, 17.258A, 17.259, 17.259A, 17.260, and 17.260A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

Condition and Context: The Nevada Department of Employment, Training and Rehabilitation is required to submit a performance report, the ETA-9091 WIA Annual Report, for the WIA Cluster awards. The report is comprised of information from the WIA Standardized Record Data (WIASRD). The WIASRD records contain relevant data on participants' characteristics, activities and outcomes, and that data is included in the Tables in the ETA-9091 WIA Annual Report. The *OMB Circular A-133 Compliance Supplement* identifies WIASRD key line items that contain critical information, including earnings for "quarters prior to dislocation".

Our audit procedures included testing information related to a sample of 40 participant cases to verify the accuracy of the underlying information for the key line items in WIASRD. Our sample included participants who received prior quarter wages from States other than Nevada. For two of those cases, we noted certain wage amounts included in WIASRD, specifically earnings for "quarters prior to dislocation", were duplicated and did not agree to the underlying records.

For participants with prior quarter wages from States other than Nevada, the Nevada Department of Employment, Training and Rehabilitation must obtain the prior quarter wage amounts from the Wage Record Interchange System (WRIS) to include in WIASRD. Wages obtained from the WRIS were recorded twice in WIASRD for one calendar quarter.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that interstate wages obtained through WRIS were accurately included in WIASRD, and subsequently, the ETA-9091 WIA Annual Report.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures for populating WIASRD to ensure that the ETA-9091 WIA Annual Report includes accurate wage information.

Management's Response: See management's response on page 272.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF LABOR:

Finding 11-59:

Workforce Investment Act (WIA) Cluster:

- WIA Adult Program, CFDA 17.258
- ARRA – WIA Adult Program, CFDA 17.258A
- WIA Youth Activities, CFDA 17.259
- ARRA – WIA Youth Activities, CFDA 17.259A
- WIA Dislocated Workers, CFDA 17.260
- ARRA – WIA Dislocated Workers, CFDA 17.260A

Grant Award Number: Potentially affects all grant awards included under CFDA 17.258A, 17.259A, and 17.260A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

Condition and Context: During our fiscal year 2010 audit, we identified instances in which the Nevada Department of Employment, Training and Rehabilitation (DETR) did not identify at the time of disbursement of funds the required information as described above. In response to this finding, DETR implemented corrective action, which took effect in March 2011.

There were 26 ARRA disbursements to subrecipients for the period subsequent to March 2011. We selected three of those transactions for testing. During this testing, we identified one disbursement of ARRA funds that was not identified as such at the time of disbursement to the subrecipient.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that all required aspects of the ARRA funds were communicated to subrecipients at the time of disbursement of funds.

Recommendation:

We recommend the Nevada Department of Employment, Training and Rehabilitation enhance procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated at the time of disbursement of funds.

Management's Response:

See management's response on page 273.



OFFICE OF THE DIRECTOR

March 8, 2012

Mr. Todd Yamamoto
Acting Regional Administrator
U.S. Department of Labor
Employment Training and Administration
90 7th Street, Suite 17-300
San Francisco, CA 94103-1516

Subj: Nevada Department of Employment, Training & Rehabilitation Response to 2011 Single
Audit Issues /Concerns

Dear Mr. Yamamoto,

This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co, CPA's for the Federal Programs administered by the Nevada Department of Employment, Training & Rehabilitation (ER) for the fiscal year ended June 30, 2011. The audit findings pertain to the Federal Grants /Programs as listed below:

Findings 11-53 thru 11-56 – Unemployment Insurance (UI)

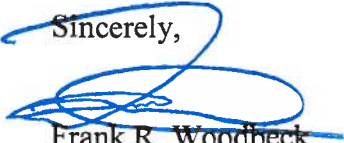
- CFDA 17.225
- ARRA CFDA 17.225A

Findings 11-57 thru 11-59 – Workforce Investment Act (WIA) Cluster

- CFDA 17.258
- ARRA CFDA 17.258A
- CFDA 17.259
- ARRA CFDA 17.259A
- CFDA 17.260
- ARRA CFDA 17.260A

Please note that the DETR remains fully committed to ensuring compliance with applicable federal laws and regulations. Please feel free to contact me at (775) 684-3911 or my Employment Security Division (ESD) Administrator, Renee Olson, at (775) 684-3909 if you need further assistance.

Sincerely,



Frank R. Woodbeck
Director

cc: John Humphrey, DOL/ETA – Region 6
Denise Dombek, Nevada Liaison , DOL/ETA – Region 6
Dennis Perea, DETR Deputy Director
Renee Olson, DETR Administrator, ESD
Mark Costa, DETR Chief Financial Officer
Todd Myler, DETR Deputy Chief Financial Officer
Lynda Parven, DETR/ESD Deputy Administrator
Kelly Karch, DETR/ESD Deputy Administrator
Duane Anderson, DETR Chief Auditor
Grant Nielsen, ESD/WISS
Shannon Ryan, Legislative Counsel Bureau, Audit Supervisor
Debbie Clark, Kafoury Audit Manager

State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2011

U.S. Department of Labor
Unemployment Insurance

CFDA 17.225, 17.225A

Finding 11-53

We reviewed 25 disbursements to test compliance with the allowable cost requirements. We noted that one disbursement was for administration costs of a program unrelated to the Unemployment Insurance program.

Recommendation

We recommend that the Nevada Department of Employment, Training and Rehabilitation (DETR) enhance controls to ensure that all costs are charged to the correct Federal award program.

Nevada DETR's Response

This finding stems from an oversight in coding to the wrong grant. DETR Financial Management staff will be reminded of the importance of coding invoices correctly, and getting clarification if there is any question about how an expense should be paid. Supervisors audit all payments made, so they too will be reminded of the importance of reviewing those payments for proper coding before approving them.

Finding 11-54

During our testing, we reviewed the benefit amounts paid to 40 individuals who received FAC payments during the fiscal year to ensure benefit payments were calculated correctly. We noted that seven claimants received FAC payments although their claim was established after June 2, 2010.

Recommendation

We recommend that Nevada DETR implement controls to ensure FAC benefit payments are not paid for claims established after June 2, 2010.

Nevada DETR's Response

The Employment Security Department (ESD) Administrator for the Nevada DETR accepts this finding and has initiated corrective actions as follows:

Programming has been completed to ensure only UI claims established prior to June 2, 2010, Emergency Unemployment Compensation (established and new), as well as State Extended Benefit (SEB) claims connected to the UI claim, received FAC payments. In addition, the programming ensured that any unemployment week beginning after

December 10, 2010, would not receive a FAC payment. As a result of the programming changes, the number of FAC payments decreased dramatically, and only weekly claims that met the above criteria, received a FAC payment.

Corrective actions were implemented by the agency immediately following the auditors detection of improper FAC payments in November 2011. UI Program Analysts determined that the cause of the erroneous FAC payments was an unintended consequence in an effort to correct a prior system's problem. The initial problem involved a system error during the first quarter of 2011, whereas, numerous benefit payments were re-issued. The duplicate payments were identified and overpayments created in the system, however, the portion of the re-issued payments related to FAC was not voided and resulted in issuance of improper FAC payments. These improper FAC payments were identified, and overpayments were created.

System generated FAC payments were discontinued as quickly as possible. As a stop gap measure while discontinuance of the system generated FAC payments was implemented, daily FAC reports were reviewed by staff to determine if the FAC payment issued that day was proper,. Although the number of FAC payments each day (if any) was very minimal, if an improper FAC payment was detected, the payment was cancelled in the system prior to release to the claimant. This stoppage of all FAC payments was completed on February 2, 2012; and no additional FAC payments have been issued. The agency has a manual processing criteria established if FAC payments need to be issued in the future. Manual processing includes a special check prepared and mailed to the claimant. A record of this FAC payment will be documented in the claimant's file and accounted for within the Division.

Finding 11-55

During our testing, we reviewed the benefit amounts paid to 40 individuals who received FAC payments during the fiscal year to ensure benefit payments were calculated correctly. We noted that 23 claimants received FAC payments for weeks of unemployment beginning after December 11, 2010.

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement controls to ensure benefit payments are FAC benefit payments are voided when the associated Unemployment Insurance payments are voided.

Nevada DETR's Response

The ESD Administrator for the Nevada DETR accepts this finding and has initiated corrective actions as follows:

See management's response for Finding No. 11-54

Finding 11-56

During our testing and reconciliation of the SARFs to the accounting system, we identified instances where expenditures related to grant numbers UI-19601-10-55-A-32, UI-21118-11-55-A-32 and UI-166765-05-55-A-32 were not correctly reported to the Controller's Office.

Recommendation

We recommend the DETR enhance controls and implement a reconciliation process to ensure all Federal expenditures are reported accurately to the Controller's Office for inclusion on the SEFA.

Nevada DETR's Response

DETR Financial Management will have a better reconciliation process prior to the close of the next fiscal year in order to ensure that all SARF forms are filed correctly with the State Controller's Office. This will include more detailed backup documentation that ties to the state accounting system. Additionally, the Controller's Office will be solicited to assist with ensuring all grants are included in the SARFs.

In addition, for Findings 11-53 through 11-56, DETR's Internal Audits will perform follow-up testing, as needed, to verify that the required procedures are in place.

State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2011

U.S. Department of Labor
Workforce Investment Act Cluster

CFDA 17.258, 17.258A
CFDA 17.259, 17.259A
CFDA 17.260, 17.260A

Finding 11-57

During our testing and reconciliation of the SARFs to the SEFA, we found instances where ARRA funds transferred to and expended by the Nevada Department of Health and Human Services were not included on the SEFA.

Recommendation

We recommend the DETR implement procedures to communicate to the Nevada Department of Health and Human Services the Federal award information, including the CFDA number and the fact that the related expenditures are subject to inclusion on the SEFA, for funds transferred to and expended by other State agencies.

Nevada DETR's Response

DETR Financial Management will implement better communication with other agencies regarding all grant funding transferred out so as to avoid unfiled SARF forms from those other agencies in the future. In this particular finding, ARRA funds were transferred. Since the ARRA grant in question is fully expended, this will not occur again with this funding stream.

Finding 11-58

Our audit procedures included testing information related to a sample of 40 participant cases to verify the accuracy of the underlying information for the key line items in WIASRD. Our sample included participants who received prior quarter wages from States other than Nevada. For two of those cases, we noted certain wage amounts included in WIASRD, specifically for earnings for "quarters prior to dislocation", were duplicated and did not agree to the underlying records.

For participants with prior quarter wages from States other than Nevada, the DETR must obtain the prior quarter wage amounts from the Wage Record Interchange System (WRIS) to include in WIASRD. Wages obtained from the WRIS were recorded twice in WIASRD for one calendar quarter.

Recommendation

We recommend the DETR enhance the procedures for populating WIASRD to ensure that the ETA-9091 WIA Annual Report includes accurate wage information.

Nevada DETR's Response

Wherein the audit revealed that WRIS wages in the first quarter of 2010 had exactly double of the WRIS wages verified in the file. Review of all the WRIS wage files used in the reports resulted in a discovery of a process error. The WRIS files received had two files that were duplicated and belonged to the first quarter of 2010.

Workforce Investment Support Services (WISS) received one of the files named as if the wages belonged to the second quarter of 2009. However, WISS' research concluded that it was simply named incorrectly and the second quarter of 2009 was never received or added to the report and the first quarter of 2010 was added twice due to this file name error.

In conclusion, the WRIS wages were doubled for the first quarter of 2010 and no WRIS wages were added for the second quarter of 2009 which resulted in an overall impact to the report of less than one percent because the total of all eight WRIS wage quarters increased the measures only three percent.

Please note that WISS management has put in place a corrective action plan to resolve this issue. The WISS analyst will open all eight of the WRIS files returned and validate the quarters in the file match the name of each of the eight quarters received from the Nevada WRIS system operator to prevent this issue in the future.

Finding 11-59

During our fiscal year 2010 audit, we identified instances in which the Nevada DETR did not identify at the time of disbursement of funds the required information as described above. In response to this finding, DETR implemented corrective action, which took effect in March 2011.

There were 26 ARRA disbursements to subrecipients for the period subsequent to March 2011. We selected three of those transaction for testing. During this testing, we identified one disbursement of ARRA funds that was not identified as such at the time of disbursement to the subrecipient.

Recommendation

We recommend the Nevada DETR enhance procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated at the time of disbursement of funds.

Nevada DETR's Response

DETR Financial Management currently only has one ARRA grant with two subrecipient agreements in place. Staff has been reminded to ensure payments for subrecipient reimbursements made include the Grant # and the CFDA number written on the memo line, to indicate ARRA funding. This practice has been in place since early 2011; however, there were oversights for several months where this was not done. The practice

was resumed in October 2011 and continues today. These reimbursement requests are turned in separately from any other grant request made by these subrecipients. As such, the payments for this grant are labeled according to the requirements for this finding.

In addition, for Findings 11-57 through 11-59, DETR's Internal Audits will perform follow-up testing, as needed, to verify that the required procedures are in place.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-60:

Vocational Rehabilitation Cluster:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act,
CFDA 84.390A

Grant Award Number: Potentially affects Program Income under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* provides that Vocational Rehabilitation (VR) program income must be used for the provision of VR services and the administration of the State Plan under the State Vocational Rehabilitation Services Program. Additionally, *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports prepared at least monthly and signed by the employee.

Condition and Context: Our audit procedure included testing of salary and benefit costs charged to the VR program. We examined support for 40 salary charges, including three that were paid for with VR program income. Of those three we noted one instance where three hours of leave time was charged to the VR program for an employee who does not normally work directly on VR activity, and the timesheet did not identify that the employee had worked directly on VR program activity. The Nevada Department of Employment, Training and Rehabilitation personnel represented that any leave time not coded to a specific job (program) number would default to the job number paid for with VR program income.

Questioned Costs: Undetermined.

Effect: Unallowable costs were charged to the Federal program.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that all salary costs charged to the Federal program were allowable and supported by required documentation.

Recommendation: We recommend that the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure that all salary costs charged to the Federal program are allowable and supported by the required documentation.

Management's Response: See management's response on page 280.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-61:

Vocational Rehabilitation Cluster:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act,
CFDA 84.390A

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 and 84.390A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that the State Vocational Rehabilitation Agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

- a. Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

Condition and Context: As part of our testing over eligibility, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation services. For one of the 40 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, without either an extension being filed or a trial work program being implemented.

Questioned Costs: None.

Effect: Benefits may not have been provided to eligible individuals within a reasonable time.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that eligibility determinations consistently occurred within the required time frame.

Recommendation: We recommend the Department of Employment, Training and Rehabilitation enhance procedures to ensure that eligibility determinations consistently occur within the required time frame.

Management's Response: See management's response on page 280.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF EDUCATION:

Finding 11-62:

Vocational Rehabilitation Cluster:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act,
CFDA 84.390A

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 and 84.390A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by the underlying records.

Condition and Context: The Nevada Department of Employment, Training and Rehabilitation is required to submit quarterly SF-269 and SF-425 Federal Financial Reports for the Vocational Rehabilitation Cluster awards. We noted that there were twelve quarterly reports submitted during the year and we selected two for testing.

During testing of the SF-269 report for award H390A090041, submitted for the quarter ended March 31, 2011, it was noted that documentation to support the amounts reported for *Unliquidated Obligation* had not been retained, and amounts reported could not be reconciled to the accounting system during our audit procedures.

Additionally, during testing of the SF-425 report for award H126A110041 submitted for the quarter ended March 31, 2011, it was noted that documentation to support the amounts reported for both *Unliquidated Obligation* and the *Recipient's Share of Federal Expenditure* had not been retained, and amounts reported could not be reconciled to the accounting system during our audit procedures.

Questioned Costs: None.

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

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that documentation from the underlying accounting records was retained to support the amounts included in the quarterly SF-269 Financial Status Reports and SF-425 Federal Financial Reports.

Recommendation:

We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures to ensure that documentation from the underlying accounting records is retained to support the amounts included in the quarterly SF-269 Financial Status Reports and SF-425 Federal Financial Reports.

Management's Response:

See management's response on page 281.



OFFICE OF THE DIRECTOR

March 8, 2012

Ms. Jean Yan, Program Administrator
U.S. Department of Education
Rehabilitation Services Administration
550 12th Street, S.W., Room 5010
Washington, D.C. 20004-2800

Subj: Nevada Department of Employment, Training & Rehabilitation Response to 2011 Single Audit Issues /Concerns

Dear Ms. Yan,

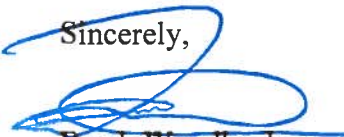
This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co. CPAs for Federal Program administered by the Nevada Department of Employment, Training and Rehabilitation (DETR) for the fiscal year ended June 30, 2011. The specific audit findings pertaining to the Rehabilitation Services Administration (RSA) Federal Grants/Programs are listed below:

Findings 11-60 thru 11-62 – Vocational Rehabilitation Cluster

- Rehabilitation Services – CFDA 84.126
- ARRA Rehabilitation Services – ARRA CFDA 84.390A

Please note that the DETR management remains fully committed to ensuring compliance with applicable federal laws and regulations. Please feel free to contact me at (775) 684-3911 or my Deputy Director, Dennis Perea at (702) 486-6637 if you need further assistance.

Sincerely,



Frank Woodbeck
Director

cc: Dennis Perea, DETR Deputy Director
Maureen Cole, DETR Administrator, Vocational Rehabilitation Division
Mark Costa, DETR Chief Financial Officer
Todd Myler, DETR Deputy Chief Financial Officer
Duane E. Anderson, DETR Chief Auditor
Shannon Ryan, Legislative Counsel Bureau, Audit Supervisor
Debbie Clark, Kafoury, Audit Manager

State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2011

U.S. Department of Education
Vocational Rehabilitation Cluster

CFDA 84.126, 84.390A

Finding 11-60

Our audit procedure included testing of salary and benefit costs charged to the VR program. We examined support for 40 salary charges, including three that were paid for with VR program income. Of those three, we noted one instance where three hours of leave time was charged to the VR program for an employee who does not normally work directly on VR activity, and the timesheet did not identify that the employee had worked directly on VR program activity. The Nevada DETR personnel represented that any leave time not coded to a specific job (program) number would default to the job number paid for with VR program income.

Recommendation

We recommend that the Nevada DETR implement procedures to ensure that all salary costs charged to the Federal program are allowable and supported by the required documentation.

Nevada DETR's Response

DETR is in the process of verifying the default coding for all employees to more closely match the coding on their timesheets; however, this finding will continue to be an issue for DETR until it can be solved with Nevada's Central Payroll office and the Nevada Department of Transportation (NDOT). NDOT is the only other agency that uses the same electronic timesheet format as DETR. When a change is made, both agencies have to be able to accommodate the change. In order to fully correct this situation, the most appropriate course is to code leave time according to how the rest of the timesheet is coded; however, the current timesheet structure does not allow for this. Automatic defaults that are set up in the background determine how leave time is coded. As such, until this situation can be fully resolved between Central Payroll, NDOT, and DETR, DETR will only be able to verify that the default for leave coding is as appropriate as possible based on current job duties and time coding against funding streams. This analysis of current default coding, along with any corrections that need to be made, will be completed by June 30th, 2012. It is unknown how long it will take to make the more complete and extensive correction to this issue that involves coding leave time and will require coordination with Central Payroll and NDOT.

Finding 11-61

As part of our testing over eligibility, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation services. For one of the 40 individuals selected for testing, the eligibility determination exceeded 60 days from the application

submission, without either an extension being filed or a trial work program being implemented.

Recommendation

We recommend the DETR enhance procedures to ensure that eligibility determinations consistently occur within the required time frame.

Nevada DETR's Response

The Rehabilitation Division does not dispute the finding that eligibility for the consumer in case number 60796 was determined outside the established sixty day time frame. The consumer in this case, who was homeless at the time, applied for services on December 21, 2010 and releases for medical records were sent on December 23, 2010, February 18, 2011, March 4, 2011 and May 2, 2011. The counselor completed the Certificate of Eligibility on May 6, 2011. The case was closed in August 2011 for lack of contact with the consumer. The Division prepares a monthly aging report showing the elapsed time between intake and the eligibility determination. Supervisors and counselors receive and review the report and can take action to make the eligibility determination, secure an extension if the case merits one for legitimate reasons or, if not, close the case for lack of sufficient documentation to determine eligibility. The fact that the lapse was not caught in time to prevent the noncompliance appears to have been caused by staff turnover that resulted in two counselors handling the case and the retirement of the supervisor at around this time. The importance of timely eligibility determinations is stressed to counselors and supervisors at staff meetings and trainings as not only a legal requirement, but an important component of professional practice as well as the level of customer service to which VR clients are entitled. Section 10 of the Participant Services Policy and Procedure Manual addresses the requirement for eligibility determination within sixty days from the date of application.

Finding 11-62

During testing of the SF-269 report for award H390A090041, submitted for quarter ended March 31, 2011, it was noted that documentation to support the amounts reported for *Unliquidated Obligation* had not been retained, and amounts reported could not be reconciled to the accounting system during our audit procedures.

Additionally, during testing of the SF-425 report for award H126A110041 submitted for the quarter ended March 31, 2011, it was noted that documentation to support the amounts reported for both *Unliquidated Obligation* and the *Recipient's Share of Federal Expenditure* had not been retained, and amounts reported could not be reconciled to the accounting system during our audit procedures.

Recommendation

We recommend the Nevada DETR enhance the procedures to ensure that documentation from the underlying accounting records is retained to support the amounts included in the quarterly SF-269 Financial Status Reports and the SF-425 Federal Financial Reports.

Nevada DETR's Response

DETR Financial Management has already begun retaining the documentation for the federal reports in question beginning with the reports for the quarter ending September 30th, 2011. This procedure will remain in effect going forward.

In addition, for Findings 11-60 through 11-62, DETR's Internal Audits will perform follow-up testing to verify that the required procedures are in place.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-63:

Medicaid Cluster:

ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative, CFDA 93.720A
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777
Medical Assistance Program, CFDA 93.778
ARRA – Medical Assistance Program, CFDA 93.778A

Grant Award Number: Affects grant awards included under CFDA 93.778 and 93.778A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Additionally, the *OMB Circular A-133 Compliance Supplement* requires that American Recovery and Reinvestment Act (ARRA) funds be separately identified on the SEFA and in the accounting records.

Condition and Context: The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During reconciliation of Medicaid award expenditures to the SEFA, we noted that ARRA expenditures for award 05-1005NVMDSH were separately identified as such on the SEFA; however, the expenditures related to that award were also included as expenditures under a non-ARRA award. We also noted that the amounts reported for award 05-1005NVQUAL and 05-1105NVQUAL were reported twice. This caused the Medicaid Cluster expenditures to be overstated.

Questioned Costs: None.

Effect: Award expenditures were reported twice in the SEFA, resulting in Medicaid Cluster expenditures being overstated by \$4,167,646.

Cause: The Nevada Division of Healthcare Financing and Policy did not have adequate procedures in place to ensure that Federal expenditures were accurately reported by the Controller's Office.

Recommendation: We recommend the Nevada Division of Healthcare Financing and Policy enhance procedures to ensure that Federal expenditures are accurately reported by the Controller's Office.

Management's Response: See management's response on page 285.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH CARE FINANCING AND POLICY
1100 E. William Street, Suite 101
Carson City, Nevada 89701
(775) 684-3600

MICHAEL J. WILLDEN
Director

CHARLES DUARTE
Administrator

March 9, 2012

Henrietta Sam-Louie
Financial Management Manager
Centers for Medicare & Medicaid Services
Medicaid & Children's Health Operations
90 7th Street, Suite 5-300
San Francisco, CA 94103-6707

Regarding: Medical Assistance Program, CFDA 937.778 and 937.778A
Kafoury, Armstrong & Co. audit finding: 11-63
For the State Fiscal Year Ended June 30, 2011

In the audit findings 11-63, Kafoury, Armstrong & Co.(KAC) stated the Division of Health Care Financing & Policy (DHCFP) did not have adequate procedures in place to ensure that the Federal expenditures were accurately reported by the Controller's Office.

DHCFP does have procedures in place to track all federal fund types and reconcile the quarterly CMS reports to the Integrated Financial System (the State's accounting system). Certain ARRA awards were duplicated due to the revision of cash basis to modified accrual reporting. There was a lack of communication between DHCFP and the Controller's Office on the submitting of the revised Single Audit Reporting Forms resulting in a duplication of certain expenditures.

KAC recommends that DHCFP enhance procedures to ensure that Federal expenditures are accurately reported by the Controller's Office.

DHCFP plans to increase communications with the Accountant Liaison at the Controller's Office who supervises the Single Audit Reporting. For 2012 and future filings, DHCFP will create a summary report of the SARFs to be transmitted verifying the total of the individual forms transmitted to the Controller's Office. The SARF summary report will be verified and signed by the DHCFP Administrator.

If you have any questions please contact Leah Lamborn, Accounting Unit Chief, at (775)-684-3668 or email LCLamborn@dhcfp.nv.gov.

Sincerely,

A handwritten signature in blue ink that reads "Charles Duarte".

Charles Duarte
Administrator

Cc: Shannon Ryan, Deputy Legislative Auditor, LCB
Michael Torvinen, Deputy Director, Fiscal Services, DHHS

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 11-64:

Child Support Enforcement:

Child Support Enforcement Program, CFDA 93.563

ARRA – Child Support Enforcement Program, CFDA 93.563A

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.563 and 93.563A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.
<i>Condition and Context:</i>	As part of our audit procedures, we tested two of ten subrecipients to verify that the Nevada Division of Welfare and Supportive Services ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that the audit report for one of subrecipients tested included audit findings related to the Child Support Enforcement Program; however, the Nevada Division of Welfare and Supportive Services did not issue management decisions for the findings or monitor the corrective action plan.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level may continue to occur if the Nevada Division of Welfare and Supportive Services, Child Support Enforcement Program, does not issue management decisions and monitor the corrective action plan.
<i>Cause:</i>	The Nevada Division of Welfare and Supportive Services, Child Support Enforcement Program, does not have adequate procedures in place to ensure that management decisions are issued for subrecipient findings and to monitor the corrective actions plan.
<i>Recommendation:</i>	We recommend the Nevada Division of Welfare and Supportive Services, Child Support Enforcement Program, implement procedures to ensure management decisions are issued within six months for subrecipient audit findings and monitor the corrective action plan.
<i>Management's Response:</i>	See management's response on page 287.



Brian Sandoval
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF WELFARE AND SUPPORTIVE SERVICES
1470 College Parkway
Carson City, Nevada 89706-7924
(775) 684-0500 • Fax (775) 684-0646

MICHAEL J. WILLDEN
Director

Diane Comeaux
Administrator

March 2, 2012

Ms. Sharon M. Fujii, RA
Administration for Children & Families, Region IX
90 7th St., 9th Floor
San Francisco, California 94103

Dear Ms. Fujii,

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of several grant programs administered by the Nevada State Division of Welfare and Supportive Services (DWSS) for the fiscal year ended June 30, 2010. Included in the audit were the grants for Child Support Enforcement Program, CFDA 93.563, Child and ARRA-Child Support Enforcement Program, CFDA 93.563. Kafoury, Armstrong's findings 11-64 concerns these programs.

Finding 11-64 resulted in the following recommendation:

We recommend the Nevada Division of Welfare and Supportive Services, Child Support Enforcement Program; implement procedures to ensure management decisions are issued within six months for subrecipient audit findings and to monitor the corrective actions plan.

Response:

The Division of Welfare and Supportive Services (DWSS) accepts this finding and has initiated immediate corrective action steps to ensure procedural implementation and compliance. The auditors noted that an adequate process was not in place to ensure management decisions are issued for subrecipient findings and to monitor the corrective actions plan.

Corrective Action:

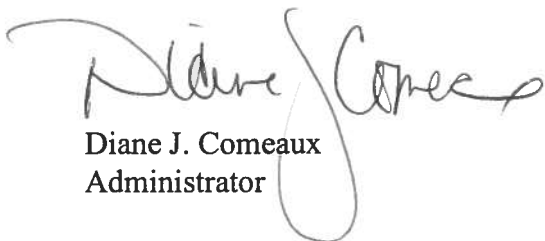
The Division is in the process of developing procedures and enhanced tracking methods to ensure staff is taking appropriate action upon notification of non-compliance with Child Support Enforcement Program (CSEP) subrecipients. The DWSS internal auditor and CSEP chief have developed a dual monitoring process by which the single audit reports, responses and corrective action plans of sub-recipients will be tracked to ensure compliance with OMB A-133. CSEP will issue letters to the sub-recipients on an annual basis requesting copies of the annual single audit report, any findings, corrective action plans and will send an acknowledgement upon receipt. Upon receiving a subrecipient's single audit report or online posting notification, the date received and all non-compliance findings will be entered into a spreadsheet for tracking by the internal auditor. Any findings and pertinent information will be forwarded to the CSEP contract

monitor and chief to evaluate and ensure proper corrective steps have been taken. Staff will be given deadlines for issuing a decision and will be tracked for timeliness by the internal auditor. Management decisions addressing each finding and any corrective action plan must be sent in writing from the CSEP chief to the sub-recipient within six months after notification from the internal auditor. A copy of all management decisions must also be forwarded to the internal auditor for tracking purposes. Staff non-compliance will result in notification to the DWSS Administrator or relative Deputy Administrator to be addressed.

The corrective action is anticipated to be completed and implemented by March 31, 2012.

If you have any questions, please contact Jeanne Gregg, Auditor III, at 775-684-0564.

Sincerely,



Diane J. Comeaux
Administrator

Cc: Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau
Louise Bush, Chief, Child Support Enforcement
Jeanne Gregg, Auditor III, PRE



State of Nevada
Office of State Controller
Carson City, Nevada 89701-4786

Kim R. Wallin, CMA, CFM, CPA
State Controller

Office: (775) 684-5777
Fax: (775) 684-5696

March 15, 2012

Kafoury, Armstrong and Co.
Certified Public Accountants
6140 Plumas Street
Reno, NV 89509

Dear Sirs:

In accordance with paragraph 315(b) of the Office of Management and Budget (OMB) Circular A-133, please accept the following *Summary Schedule of Prior Audit Findings* for the year ended June 30, 2011.

Finding 09-1:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance, CFDA 17.225:
ARRA – Unemployment Insurance, CFDA 17.225A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that State responsibilities include determining claimant eligibility and disqualification provisions. The Nevada Department of Employment, Training and Rehabilitation Manual of Operations, Chapter 1300, contains a policy to assist in detecting and preventing the filing of fraudulent unemployment claims called the Identity Cross-match Program. This program requires the claimant's data to be matched to the data maintained by the Nevada Department of Motor Vehicles. In the event the claimant data does not match, documentation of the resolution of any validation issues is to be included in the General Unemployment Insurance Development Effort (GUIDE) system.

As part of our testing over eligibility, we reviewed a sample of 40 cases of Unemployment Insurance benefit recipients for documentation of the identity cross-match and the resolution of any validation issues, if applicable. In one of the 40 cases there was a conflict identified by the identity cross-match

program. However, we could find no documentation that resolution of the issue was included in the GUIDE system.

State's Response: The Division is aware that there have been isolated instances of failure of policy and procedure regarding identity cross matching. These isolated instances are based in part on relative inexperience of staff and in part upon timing differences.

To address the inexperience of staff, the Division has engaged in ongoing in-service training designed to insure that policies and procedures are followed each and every time.

The application of the existing cross match is reliant on a valid and complete file of records from the DMV to be uploaded monthly. The Division has identified isolated instances where this did not occur, primarily due to the timing of when the monthly updates are processed.

In the event the claimant submits documentation that does not clear the suspicion, the person is referred for an in-person identity verification using technology designed to detect fake identification documents. Nevada currently refers between 20 – 50 people in this manner weekly. If the person presents falsified documents or fails to appear for the review, no payment is made.

Nevada has applied for and been awarded supplemental budget money through the Department of Labor to implement the Social Security Cross Match, which will be used in conjunction with the Department of Motor Vehicle cross match to further upgrade Nevada's identification processes. All work for the Social Security Cross Match Program has been completed and a final package has been submitted to the Social Security Administration for their acceptance/approval. DETR is still awaiting the response.

Finding Status: Corrected.

Finding 09-7:

Program: Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205:
ARRA – Highway Planning and Construction, CFDA 20.205A:
Recreational Trails Program, CFDA 20.219:
Appalachian Development Highway System, CFDA 23.003:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that non-federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5.5(a)(3)(ii)(A)), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Davis –Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel. Although the certified weekly payrolls were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.

State's Response: Policies and procedures will be amended and put in place to reflect the necessity of providing payrolls weekly. Contractors will be informed of the requirements in the special provisions and in pre-construction conferences, with the payrolls being monitored by the Resident Engineer and staff, as well as the Contract Compliance Manager and staff, through the LCP tracker electronic payroll system.

Finding Status: Not corrected.

Finding 09-12:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement Addendum # 1* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

As part of our testing over ARRA expenditures, we reviewed the WIA contracts with subrecipients that included ARRA funds. During this testing, we noted that the provisions of the contracts did not identify the Federal award number, nor the CFDA number. In addition, the contracts did not include the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms.

State's Response: Please note that every attempt is made to properly communicate required information to subrecipients as illustrated by the statements below. Due to the longstanding relationship of the Department with the Local Workforce Investment Boards (LWIB), a portion of the communications that occurred, at times, may have been informal in nature, but the needed information was still passed on. Please note that for previous WIA formula and ARRA contracts, the Catalog of Federal Domestic Assistance (CFDA) number was not included in the contracts and never became an issue, primarily because both LWIBs have full access to the CFDA website.

Staff was unaware of the requirement to list this information on the individual contracts, however, WISS Program and Internal Procedures Manual, Section 14 - #4 – Fiscal and Legal, has now been updated to ensure all new contracts include the "CFDA number and the Federal award number" (Fiscal & Legal, Section 14, Tab 4, Independent /Interlocal Contracts, page 4). It is important to note that due in large part to the lengthy contract process (which is resource intensive), amendments were not written for the purpose of adding just the CFDA number, but subsequent Formula and ARRA contracts do contain the CFDA number. The Department did not have the resources available to re-process dozens upon dozens of existing contracts. With respect to the Federal award number, this will also be added to all future contracts.

With respect to stimulus funds, ARRA – specific directives were developed separately from the WIA formula funds state compliance policies to ensure there was full understanding by LWIB staff of the different requirements of the Act. Eight Workforce Stimulus Directives (WSDs) were drafted and reviewed by LWIB staff prior to the directives being distributed to both LWIBs.

1. WSD-01 – Programmatic – Adults/Dislocated Worker (Revised 8/09)
2. WSD-02 – Programmatic – Year Round Youth (Revised 8/09)
3. WSD-03 – Summer Youth Employment Opportunities Only (Revised 8/09)
4. WSD-04 – Financial Requirements under ARRA-WIA (5/09) (Attachment A)
5. WSD-05 – Local Plan Modification (5/09)
6. WSD-06 – NJCOS Data Entry Requirements (6/09)
7. WSD-07 – Needs Related Payment – NJCOS Data Entries (6/09)
8. WSD-08 – Reporting Requirements for Section 1512 of ARRA (10/09)

WSD – 04 dated May 13, 2009, Section IX outlined the requirements to track and report ARRA funds separately from WIA formula funds for all three funding streams – Adult, Dislocated Worker and Youth. Quarterly Financial Status Reports prepared by the two LWIBs are separated out by individual contracts regardless of whether or not they are formula, ARRA or Governor’s Reserve Funds. Again, it is important to note that all ARRA contracts include the reference to ARRA in the contract number (e.g., PY08-A-ARRA-02) so ARRA identification occurs for all such contracts.

In September 2009, the U.S. Department of Labor (DOL) issued additional guidance on the reporting requirements under Section 1512 of the Recovery Act. Emails were sent to both LWIBs and other ARRA grantees along with memos detailing the clarification on the requirement for reporting jobs created/jobs retained received from DOL. As a result, WSD-08 dated October 1, 2009, Reporting Requirements for Section 1512 of the ARRA 2009 for Jobs Created/Jobs Retained, was distributed to both LWIBs and other ARRA grantees.

DETR Financial Management (FM) will fully implement procedures to add the required information to the payment remittance received by the sub-grantees and vendors receiving ARRA funds. A payment approval form with special instructions to include the grant number, CFDA number and amounts is being adopted.

Finding Status: Partially corrected.

Finding 09-14:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement Addendum #1* requires that recipients and their first-tier subrecipients maintain current registrations in the Central Contractor Registration at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds. In addition, they must obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number.

As part of our testing over ARRA subawards, we inquired of personnel as to the controls in place to ensure compliance with ARRA requirements. Although it was noted that subrecipients were notified of the requirement to register in the Central Contractor Registration and obtain a DUNS number, subrecipients were provided with conflicting information from a Federal source. Consequently, one subrecipient did not register in the Central Contractor Registration, and the Nevada Department of Employment, Training and Rehabilitation did not monitor its subrecipients to ensure compliance with this requirement.

State's Response: Please note that the Department followed the initial guidance by DOL (via a General Overview Forum-Question & Answer) which stated that only the prime recipient (State) has to register in both CCR and DUNS. Unfortunately, this conflicted with TEGE #29-08 information and basically led to this area of confusion.

To date, WorkforceConnections and NevadaWorks are now both registered into the CCR. Department staff will request confirmation at least once a year from both local boards regarding the current status of information maintained in the CCR registration database.

In addition, programmatic monitoring for ARRA is conducted in conjunction with WIA formula funding streams during an annual on-site review since program activities under ARRA are the same as the formula programs. On-site reviews were conducted statewide in August 2009 for the summer employment component. Prior to the on-site reviews, staff reviewed the Nevada JobConnect Operating System for both ARRA and WIA funded clients. Any issues identified during the pre on-site reviews were communicated via email to the local boards as they arose.

Prior to implementing ARRA, the Audit Team (Team) of the Department of Employment, Training and Rehabilitation developed a fiscal readiness document for use by both local boards in preparation for implementing ARRA activities alongside the WIA formula programs. Proactive readiness reviews were also conducted at the service provider level. Technical assistance was on-going as needed in particular for the newer service providers.

Finding Status: Corrected.

Finding 09-18:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Department of Employment, Training and Rehabilitation is required to submit annual RSA-2 Program Cost Reports, as well as quarterly SF-269 Financial Status Reports for the Rehabilitation Services_Vocational Rehabilitation Grants to States awards.

During testing of the annual RSA-2 Program Cost Report submitted during fiscal year 2009, we noted a formula error in a supporting spreadsheet that caused total expenditures reported to be understated by \$348,790.

In addition, we were unable to determine that supervisory review had been performed for the RSA-2 Program Cost Report and two of seven SF-269 Financial Status Reports examined.

State's Response: The Financial Management Section of the Department has modified existing procedures to include enhanced review and reconciliation steps for federal grant and cost reports. Additionally, the Financial Management Section of the Department has automated the data collection process for the RSA-2 report and is in the process of automating data collection for all other federal reports with a projected completion date of April 1, 2012.

The formula errors in the RSA-2 and SF-269 supporting worksheets have been corrected and corrected reports were submitted electronically to RSA. Staff did evidence supervisory review of the documents by signing on the last page.

Finding Status: Partially corrected.

Finding 09-19:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:

ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States,
Recovery Act, CFDA 84.390A:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt or use of program income.

During our testing and reconciliation of the SEFA we noted that program income was not included on the SEFA.

State's Response: The Financial Management Section of the Department re-submitted corrected expenditure information to the Controller's Office. Current procedures are in place to ensure federal expenditures are reported accurately for inclusion on the SEFA. Policies and procedures for completing the Single Audit Reporting Forms (SARF) have been amended to include ARRA funds. Staff training has been completed to ensure SARF procedures are followed.

Finding Status: Corrected.

Finding 09-20:

Program: Department of Employment, Training and Rehabilitation
Employment Services Cluster:
Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207:
ARRA – Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207A:
Disabled Veterans Outreach Program (DVOP), CFDA 17.801:
Local Veterans' Employment Representation Program, CFDA 17.804:
Incentive Grants – WIA Section 503, CFDA 17.267:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures

for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the SEFA, we found instances where amounts were not included on the SEFA.

State's Response: The Financial Management Section of the Department re-submitted corrected expenditure information to the Controller's Office. Current procedures will be put in place to ensure federal expenditures are reported accurately for inclusion on the SEFA. Policies and procedures for completing the Single Audit Reporting Forms (SARF) will include ARRA funds. On-going staff training will occur to ensure SARF procedures are followed.

Finding Status: Not corrected.

Finding 09-25:

Program: Department of Administration, Division of Purchasing
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553:
National School Lunch Program, CFDA 10.555:
Special Milk Program for Children, CFDA 10.556:
Summer Food Service Program for Children, CFDA 10.559:
Emergency Food Assistance Cluster:
Emergency Food Assistance Program (Administrative Costs), CFDA 10.568:
Emergency Food Assistance Program (Food Commodities), CFDA 10.569;
ARRA – Emergency Food Assistance Program (Food Commodities) CFDA 10.569A:

Finding Summary: In accordance with 7 CFR section 250.16, accurate and complete records shall be maintained with respect to the receipt, distribution/use, and inventory of donated foods, including end products processed from donated foods.

To determine whether appropriate accounting was maintained for donated food commodities and that the physical inventory was reconciled with

inventory records for both of these major programs, we planned to perform the suggested audit procedures provided in the OMB A-133 Compliance Supplements for these programs. That testing included selecting a sample of commodities on hand as of the June 30, 2009 physical inventory date and, using the commodity record, "rolling forward" the balance on hand to the current balance observed. We noted that the State does not have adequate inventory procedures to facilitate tracking physical inventory, by program, at any given point in time. As a result, performing a "roll forward" to support the June 30, 2009 balances for the Emergency Food Assistance Cluster or the Child Nutrition Cluster was not possible.

State's Response: We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance. We currently run a physical inventory and are able to reconcile it back to our book inventory. It was unrealistic for the audit company to schedule a partial day to reconcile twelve months of inventory records that reflect approximately 300 items. The inventory reconciliation takes an experienced staff person half a day each month. We are able to track our physical inventory at any time by running the appropriate inventory reports. We respectfully request that the follow up audit allows sufficient notice for a staff specialist to be available to conduct an inventory reconciliation and the auditor allows sufficient time to complete the process.

Currently our upgraded inventory and billing system is still being programmed and is not fully implemented. The completion and installation of the new system was scheduled to be completed by December 31, 2010. However, there have been delays and it should be installed by September 30, 2011. The FY2012 inventory will then be in the upgraded format.

Finding Status: Partially corrected.

Finding 09-30:

Program: Department of Health and Human Services, Division of Health Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283:

Finding Summary: The *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand

knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after – the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that the Nevada State Health Division assigns percentages of time that employees are to work on multiple Federal programs, including the Centers for Disease Control and Prevention_ Investigations and Technical Assistance program. The employees' salaries and benefits are charged to the Federal programs according to the percentage assigned to their position. The time cards signed by employees are exception-only reports that do not identify the programs or the time allocation on them. Because the time cards do not identify the Federal programs and time allocation on them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

State's Response: The Nevada State Health Division during SFY 08 converted from an off-line payroll reporting system to use of the on-line, NEATS – Nevada Employee Action Tracking System, which resulted in certain documentation and certifications no longer being maintained.

All employees who are federally funded are now required to list their time and effort in the notes of the NEATS timesheet. Each Administrative Services Officer assigned to a Health Division Bureau will audit the timesheets to ensure that compliance is achieved. Any audit findings will be forwarded to the Bureau Chief for immediate action. The policies and procedures have been updated to reflect these changes.

Additionally, the Division is working to implement a Time and Effort Tracking System that is currently being utilized by the Division of Healthcare Financing and Policy to provide a more accurate documentation of actual time worked. This new Time and Effort Tracking System will replace the current procedures that have been implemented.

Finding Status: Not corrected.

Finding 09-33:

Program: Department of Health and Human Services, Division of Health

Public Health Emergency Preparedness, CFDA 93.069:

Immunization Cluster:

Immunization Grants, CFDA 93.268:

Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283:

National Bioterrorism Hospital Preparedness Program, CFDA 93.889:

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

State's Response: The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.

As A-133 audits are to be completed within nine months of the end of the fiscal year, he/she will collect those reports which have been submitted and follow up on those which have not.

All reports will be initially reviewed by the Contract Monitor to determine if there are any findings. If there are no findings, the contract monitor will initial the audit report and file it. If there are findings, the contract monitor will send the report to the Administrative Services Officer IV for the Division, who will review the findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then implement the action required, in consultation with the ASO IV, up to and including corrective action plans, and follow up until the required action is complete. The policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions and follow-up activities have been updated.

Once reviewed, the Administrative Services Officer IV will initial the report and the spreadsheet maintained by the contract monitor will be updated to reflect this action. The reports will then be filed within the Health Division Financial Services Unit file room.

Finding Status: Not corrected.

Finding 09-39:

Program: Department of Health and Human Services, Division of Health
HIV Care Formula Grants, CFDA 93.917:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt or use of program income.

During our testing and reconciliation of the SEFA, we noted that program income for the HIV Care Formula Grants was not included on the SEFA.

State's Response: All forms previously submitted have been corrected and resubmitted to show program income. Procedures have been updated and staff members have been trained to include these amounts on all necessary reports. Action on this finding has been completed.

Finding Status: Corrected.

Finding 09-41:

Program: Department of Health and Human Services, Division of Health
Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with the terms and conditions of the award.

During testing of the final Financial Status Report for grant award number U58/CCU922830-05, we noted that the summary report, as well as three of

the four individual program objective reports (Behavioral Risk Factor Surveillance System, Tobacco Prevention and Control, and Oral Disease Prevention) included amounts for indirect expenses that did not reconcile to the accounting system. The indirect cost rate stated on the summary report multiplied by the base did not equal the total amount reported.

In addition, testing over the final Financial Status Report for grant award numbers U58/CCU922830-05 (Tobacco Prevention and Control) and U58/DP000804-02 (National Program of Cancer Registries) revealed that, although, based on our testing the State met the respective match requirements, the *required* match amounts were overstated on the report. The required match reported was based on total Federal funds awarded although the actual required match is based only on the amount of funds used. Therefore, because the grants were not fully expended, the required match as reported was overstated and, when compared to actual match provided, implied that the required match was not met.

Finally, although our testing supports that the State met the maintenance of effort compliance requirement for grant award U58/DP000804-02 (National Program of Cancer Registries), the maintenance of effort amount included on the final Financial Status Report was understated, indicating that the maintenance of effort requirement was not met. The maintenance of effort reported only included the amount of program income expended; the State did not include match contributions in excess of the required match that are allowed to be applied toward their maintenance of effort costs.

State's Response: During SFY09, the Division created separate job reporting numbers within our state accounting system to ensure that all separate grant awards are tracked with a unique identifier. DAWN printouts are attached to the backup for all financial reports to document that figures reported are correct and substantiated by the State's official accounting records.

Current procedures for reporting have been updated to include review of the Federal Financial Reports (FFRs) by the assigned Program Manager and the assigned Administrative Services Officer (ASO) to ensure all expenditures, including indirect, are reported and documented properly. The Program Managers will also verify and attach documentation for any match or MOE required by the grant. Prior to final approval of the FFR, the ASO III will verify documentation from the State's accounting system for expenditures and indirect and back-up for MOE and match are attached. The Division will make every effort to ensure that revised reports are submitted in a timely manner, should reporting adjustments be necessary.

Finding Status: Corrected.

Finding 10-1:

Program: Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205:
ARRA – Highway Planning and Construction, CFDA 20.205A:
Recreational Trails Program, CFDA 20.219:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor and subcontractors comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5.5(a)(3)(ii)(A), “Labor Standards Provision Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor and subcontractors to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel. Although the certified weekly payrolls were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.

State’s Response: Policies and procedures will be amended and put in place to reflect the necessity of providing payrolls weekly. Contractors will be informed of the requirements in the special provisions and in pre-construction conferences, with the payrolls being monitored by the Resident Engineer and staff, as well as the Contract Compliance Manager and staff, through the LCP tracker electronic payroll system.

Finding Status: Not corrected.

Finding 10-2:

Program: Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205:
ARRA – Highway Planning and Construction, CFDA 20.205A:
Recreational Trails Program, CFDA 20.219:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities must have a quality assurance program for construction projects on

the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State Department of Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205 and 637.207).

Our procedures included reviewing documentation of test results to verify that tests were being performed in accordance with the quality assurance program. One of seven Federally funded construction projects completed during the year was tested. We noted that samples of piping, which represented five of twenty-three materials used in the project that were subject to quality assurance testing, were not submitted to the materials lab for testing. As a result, the minimum number of tests required under the quality assurance program was not performed for those materials.

State's Response: Quality Assurance Section Staff have been, and will continue to be, instructed to compare the Required Minimum Number of Tests shown NDOT Form 040-075 with the Materials Division's Materials Sampling and Testing Checklist and to resolve any inconsistencies prior to submission to the Contract files. The Construction Division also continues to stress the importance of accuracy and consistency in Contract documentation through the various training courses provided, Contract closeout audits and annual Resident Engineer meetings.

Finding Status: Not corrected.

Finding 10-3:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance, CFDA 17.225:
ARRA – Unemployment Insurance, CFDA 17.225A:

Finding Summary: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

The Unemployment Insurance – Federal Benefit Account and Administrative Costs program (17.225F) is covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2010. The terms of this agreement specify that the recipient, Nevada Department of Employment, Training and Rehabilitation (DETR), will request Federal funds in accordance

with the Actual Clearance, Zero Balance Account-Automated Clearing House (ZBA-ACH) funding technique.

During our testing, we noted that DETR did not follow the funding technique specified in the Treasury-State Agreement. The Actual Clearance, ZBA-ACH funding technique specifies that the State shall request funds such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. However, DETR requested Federal funds based on expenditures recorded as issued in the accounting system, regardless of the settlement dates for outstanding payroll and vendor check disbursements. As such, requests for funds were not always based on the amount of funds that cleared the State of Nevada's account on the settlement date.

State's Response: On January 12, 2011, DETR amended the SFY 11 Treasury Agreement to reflect the Estimated Clearing technique which is the method actually used by the Department for cash draws. The SFY 12 agreement also establishes the Estimated Clearing technique. This agreement will be reviewed annually by Financial Management to ensure future accuracy.

Finding Status: Corrected.

Finding 10-4:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance, CFDA 17.225:
ARRA – Unemployment Insurance, CFDA 17.225A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* states that under State Unemployment Insurance laws, a worker's benefit right depends on the amount of the worker's wages and/or weeks of work in covered employment in a "base period." In Nevada, the base period is defined as the first four of the last five completed calendar quarters immediately preceding the initial claim for benefits.

During our testing, we reviewed the benefit amounts paid to 40 individuals to ensure benefit payments were calculated correctly. We noted that one individual's benefits were incorrectly calculated, resulting in a benefit amount that was less than what the individual was entitled to.

The weekly and maximum benefit amounts were calculated using the correct quarters of the base period. However, subsequent to the individual's initial claim for Unemployment Compensation, the Nevada Department of Employment, Training and Rehabilitation identified an error in the information reported by the employer, and increased the wages for one quarter to correct

that error. Although the wage information was updated, the weekly benefit amount and maximum benefit amount related to the individual's initial Unemployment Compensation claim and subsequent Emergency Unemployment Compensation claim were not recalculated to reflect the revision. The calculated weekly and maximum benefit amounts were understated by \$3 and \$841, respectively.

State's Response: Due to the record high unemployment numbers which placed an enormous stress on Nevada's 30 year old UI computer system and also, by the numerous additions of federal emergency and state extended benefit programs, this appears to have been an isolated incident that occurred within the UI system. In testing the system, the Department's information technology group has not been able to recreate the event described above. The current system is programmed to automatically readjust the claim and reissue a Monetary Determination to reflect the amounts of a recalculated claim.

Notwithstanding the above, it should be noted that Nevada DETR has recognized the limitations of its current UI system for some time now and has moved forward in the process of developing/implementing a new UI system (called UI-NV, for over 2 years now) that will handle the kinds of situations as described above.

A portion of the UI-NV is to be rolled out in August-September 2011 and a major adjudication portion is scheduled to be rolled out in May 2012.

Finding Status: Corrected.

Finding 10-5:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance, CFDA 17.225:
ARRA – Unemployment Insurance, CFDA 17.225A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that State responsibilities include determining claimant eligibility and disqualification provisions.

The Nevada Department of Employment, Training and Rehabilitation Manual of Operations, Chapter 1300, contains a policy to assist in detecting and preventing the filing of fraudulent unemployment claims called the Identity Cross-match Program. This program requires the claimant's data to be matched to the data maintained by the Nevada Department of Motor Vehicles. In the event the claimant data does not match, documentation of

the resolution of any validation issues is to be included in the General Unemployment Insurance Development Effort (GUIDE) system.

As part of our testing over eligibility, we reviewed a sample of 40 Unemployment Insurance benefit cases for documentation of the identity cross-match and the resolution of any validation issues, if applicable. In two of the 40 cases, there was a conflict identified by the identity cross-match program. However, we could find no documentation that resolution of the issues was included in the GUIDE system.

State's Response: All departmental UI claims representatives are instructed to use the Manual of Operations and document resolutions of discrepancies within the identity cross-match program. The event was determined to be an inadvertent human error, incorrectly performed by a claims examiner.

Nevada DETR has completed all work for a Social Security Cross Match Program and recently submitted a final package to the Social Security Administration for their acceptance/approval. DETR is still awaiting the response.

Finding Status: Corrected.

Finding 10-6:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance, CFDA 17.225:
ARRA – Unemployment Insurance, CFDA 17.225A:

Finding Summary: The *ET Handbook No. 395, 5th Edition, Benefit Accuracy Measurement State Operations Handbook, Chapter VII, Section 2* (Handbook) states that each case file must contain, at a minimum, a copy of all agency documents from the claimant's original claim file in addition to any documents pertaining to the Benefit Accuracy Measurement (BAM) investigation that were utilized. This includes documentation of National Directory of New Hires crossmatch.

As part of our testing over the BAM program, we reviewed the requirements relating to the investigative process and data collection in the Handbook. We noted that the National Directory of New Hires crossmatch documentation was an additional requirement added to the Handbook, effective November 17, 2009. The sample tested to ensure that the minimum documentation required for records and reporting was maintained included 18 case files selected for BAM quality control investigation subsequent to November 19, 2009. We noted that one case file, selected for BAM investigation in January

2010, did not contain documentation of National Directory of New Hires crossmatch.

As a result of the required peer review, the Nevada Department of Employment, Training and Rehabilitation implemented the new records procedure in March 2010. Accordingly, this condition appears to represent noncompliance during the isolated period between the effective date of the new procedure per the Handbook and implementation of the new records procedure at the Nevada Department of Employment, Training and Rehabilitation.

State's Response: The case file in question did not contain documentation of the National Directory of New Hires Crossmatch primarily because of a misunderstanding of the changes requested by DOL directives. In December 2009, the Regional DOL advised the BAM unit to remove ALL Social Security Numbers other than the claimant's from the BAM file. This instruction was misinterpreted by the BAM Supervisor to indicate the New Hire list could NOT be kept within the case file and as a result, the New Hire list was not included. After further clarification from DOL, the properly redacted New Hire file has been included in all BAM cases since April 2010.

Finding Status: Corrected.

Finding 10-7:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period and are presented in accordance with program requirements.

The Nevada Department of Employment, Training and Rehabilitation is required to submit quarterly ETA-9130 Financial Reports for Workforce Investment Act Cluster awards.

During testing of a quarterly ETA-9130 report submitted for the quarter ended March 31, 2010 for grant award AA-17140-05-55-A-32, we noted a formula

error in a supporting spreadsheet that caused the Federal share of expenditures reported to be understated by \$221,542.

State's Response: Financial Management (FM) corrected the error in the formula in the supporting worksheets to the 9130 in question. DETR originally stated that the Department would further ensure accuracy by automating the creation of the supporting worksheets as of October 1, 2011. However, due to staffing changes, DETR will not be able to meet the original estimated completion deadline. DETR now estimates that FM will be able to complete the automation by June 30, 2012. In the interim, FM will verify the accuracy of formulas in the worksheets during the preparation and review steps to make sure reports are correct.

Finding Status: Corrected.

Finding 10-8:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, data elements are supported by underlying records, and are presented in accordance with program requirements.

The Nevada Department of Employment, Training and Rehabilitation is required to submit the ETA-9091 WIA Annual Report for the Workforce Investment Act Cluster awards.

During testing of key line items of WIA Standardized Record Data (WIASRD) submitted during fiscal year 2010, which support the information tables in the ETA-9091 report, we noted certain wage amounts, specifically of earnings prior to registration and dislocation included in WIASRD did not agree to the underlying records in the General Unemployment Insurance Development Effort (GUIDE) system.

State's Response: As a result of WIASRD wage records not matching the WRIS wage match, Automated Systems Team staff researched the issue. It was discovered that

when WRIS wages are added to the WIASRD, only one wage record is being added, although there were wages from more than one employer in the same quarter. AJLA has upgraded DART and the update has been tested by the Workforce Investment Support Services (WISS) Automated Systems staff, and is currently working.

Finding Status: Corrected.

Finding 10-9:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing, we reviewed the WIA contracts with subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we identified a contract that did not include the Federal award number, a specific CFDA number, or the amount of ARRA funds. In addition, ARRA funds were not identified as such at the time of disbursement to subrecipients.

State's Response: For all previous WIA formula and ARRA contracts, the Catalog of Federal Domestic Assistance (CFDA) number was not included on the contracts. Staff was unaware of the requirement to list on the individual contracts either the Federal award number or the CFDA number. As of now, the WISS Program and Internal Procedures Manual, Section 14 - #4 – Fiscal and Legal, has been updated to ensure all new contracts include the CFDA number and Federal Award Number. Due to a lengthy contract process, amendments were not previously written for the purpose of adding the CFDA number, but subsequent formula and ARRA contracts do contain the CFDA number. The Federal award number will also be added to all future contracts.

All ARRA contracts include the reference to ARRA in the contract number, e.g., PY08-A-ARRA-02. In addition, both Boards submit separate requests for reimbursements for formula and ARRA funds and include individual contract numbers on the requests.

In addition, the Financial Management (FM) Section of the Department will also identify the Federal award number, CFDA number, and the amount of ARRA funds on each disbursement of funds to subrecipients.

DETR Financial Management (FM) will fully implement procedures to add the required information to the payment remittance received by the sub-grantees and vendors receiving ARRA funds. A payment approval form with special instructions to include the grant number, CFDA number and amounts is being adopted.

Finding Status: Partially corrected.

Finding 10-10:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients and their first-tier subrecipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing over ARRA subawards, we reviewed whether the Nevada Department of Employment, Training and Rehabilitation ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that one subrecipient did not register in the CCR and the current status of information maintained in the CCR registration by another subrecipient was not monitored.

State's Response: DETR WISS staff is assigned to provide all interested parties with guidance received and technical assistance related to their respective programs as

well as perform periodic onsite monitoring (in conjunction with DETR Audits). All notifications to DETR's subrecipients are provided electronically.

To date, WorkforceConnections and NevadaWorks are now both registered into the CCR. Department staff will request confirmation at least once a year from both local boards regarding the current status of information maintained in the CCR registration database.

Finding Status: Corrected.

Finding 10-11:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Department of Employment, Training and Rehabilitation is required to submit annual RSA-2 Program Cost Reports, as well as quarterly SF-425 Federal Financial Reports for the Vocational Rehabilitation Cluster awards.

During testing of the annual RSA-2 Program Cost Report submitted during fiscal year 2010, we noted a formula error in a supporting spreadsheet that caused total expenditures reported to be understated by \$1,550,383. In addition, during testing of the SF-425 report for grant award H126A100041 submitted for the quarter ending March 31, 2010, we noted a formula error in the supporting worksheet that caused the total Federal share of expenditures to be understated by \$477,113.

State's Response: The Financial Management Section of the Department has modified existing procedures to include enhanced review and reconciliation steps for federal grant and cost reports. Additionally, the Financial Management Section of the Department has automated the data collection process for the RSA-2 report and is in the process of automating data collection for all other federal reports with a projected completion date of April 1, 2012.

The formula errors in the RSA-2 and SF-425 supporting worksheets have been corrected and corrected reports were submitted electronically to RSA. Staff did evidence supervisory review of the documents by signing on the last page.

Finding Status: Partially corrected.

Finding 10-12:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs.

During our reconciliation of the Vocational Rehabilitation Cluster expenditures to the SEFA, we noted that program income related to the Vocational Rehabilitation Cluster was not included on the SEFA under the Correct CFDA number and title. Instead, it was reported as an unrelated program with an inaccurate CFDA number.

State's Response: The Financial Management Section of the Department re-submitted corrected expenditure information to the Controller's Office. Current procedures are in place to ensure federal expenditures are reported accurately for inclusion on the SEFA. Policies and procedures for completing the Single Audit Reporting Forms (SARF) have been amended to include ARRA funds. Staff training has been completed to ensure SARF procedures are followed.

Finding Status: Corrected.

Finding 10-13:

Program: Department of Employment, Training and Rehabilitation
Employment Services Cluster:
Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207:
ARRA – Employment Service/Wagner-Peyser Funded Activities, CFDA
17.207A:
Disabled Veterans Outreach Program (DVOP), CFDA 17.801:
Local Veterans’ Employment Representation Program, CFDA 17.804:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller’s Office. The Controller’s Office compiles this information from award information provided by agencies who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the SEFA, we found instances where expenditures related to other Federal award programs were incorrectly reported to the Controller’s Office as being expended under CFDA’s 17.207 and 17.804. This caused the amounts included on the SEFA under the Employment Services Cluster to be overstated.

State’s Response: The Financial Management Section of the Department re-submitted corrected expenditure information to the Controller’s Office. Procedures are being updated to ensure federal expenditures are reported accurately for inclusion on the SEFA. Policies and procedures for completing the Single Audit Reporting Forms (SARF) will be amended to include ARRA funds. Staff training will occur to ensure SARF procedures are followed.

Finding Status: Not corrected.

Finding 10-14:

Program: Department of Education
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553:
National School Lunch Program, CFDA 10.555:
Special Milk Program for Children, CFDA 10.556:
Summer Food Service Program for Children, CFDA 10.559:
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010:
ARRA – Title I Grants to Local Educational Agencies, CFDA 84.389A:
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027:
Special Education – Preschool Grants, CFDA 84.173:
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

Finding Summary: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

The National School Lunch Program (CFDA 10.555), Title I Grants to Local Educational Agencies (CFDA 84.010), and Special Education – Grants to States (CFDA 84.027) are covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2010. The terms of this agreement specify that the recipient, Nevada Department of Education, will request Federal funds in accordance with the Average Clearance, 3-5 day funding technique for the programs listed above.

During our testing, we performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We noted that the Nevada Department of Education did not always adhere to the specified funding techniques.

The Average Clearance funding technique provides that the State shall request funds such that they are deposited via Automated Clearing House (ACH) in a State account on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified for the program. The specified clearance patterns are as follows:

10.555 – National School Lunch Program – 5 days

84.010 – Title I Grants to Local Educational Agencies – 4 days
(administrative component only)
84.027 – Special Education – Grants to States – 3 days
(administrative components only)

However, the State calculates the requests for Federal funds based on payroll check dates and expenditures recorded as issued in the accounting system, rather than following the clearance patterns listed above.

State's Response: The Nevada Department of Education initiated action in the previous year. The auditors noted that Federal funds should be drawn on a 3-5 day clearance pattern but that the funds were being drawn to coincide with the payment of salaries. Effective July 1, 2010, the CMIA agreement included guidance for average clearance with regard to salaries. Salaries should be on a one day clearance pattern, but since funds cannot be received on a Saturday, the funds should be credited to the State's bank account on Friday. The Department will continue to work toward meeting the required clearance pattern.

Finding Status: Partially corrected.

Finding 10-15:

Program: Department of Education
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010:
ARRA – Title I Grants to Local Educational Agencies, CFDA 84.389A:
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027:
Special Education – Preschool Grants, CFDA 84.173:
ARRA – Special Education – Grants to States, Recovery Act, CFDA
84.391A:
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA
84.392A:

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

As part of our testing, we reviewed the Title I and Special Education contracts with subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we noted that the assurances included in the State's online system of subrecipient communication, electronic Plans, Applications, Grants and Expenditures (ePAGE), did not identify the Federal award number, the CFDA number or the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms. In addition, ARRA funds were not identified as such at the time of disbursement to the subrecipient.

State's Response: The assurances for ePAGE have been updated to insure that all ARRA grant applications have specific information for ARRA awards. This information includes the CFDA number and title, the Grant Title and award number, as well as the indication that this is an ARRA grant from the US Department of Education. Additionally, the Department is working to include on the memo line of all ARRA disbursements information specifically identifying a payment as ARRA funds.

Finding Status: Partially corrected.

Finding 10-16:

Program: Department of Education
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010:
ARRA – Title I Grants to Local Educational Agencies, CFDA 84.389A:
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027:
Special Education – Preschool Grants, CFDA 84.173:
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

Finding Summary: *OMB Circular A-133* provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.

As part of our testing over subrecipient monitoring, we reviewed subrecipient awards in the State's online electronic Plans, Applications, Grants and Expenditures (ePAGE) system, for communication of required information,

and noted that the assurances included for the awards did not include the CFDA title and number, award name and number, or the name of the Federal awarding agency.

State's Response: The assurances for ePAGE have been updated to insure that all grant applications have specific information for each grant award. This information includes the CFDA number and title, the Grant Title and current award number, as well as the indication that this is a grant from the US Department of Education.

Finding Status: Corrected.

Finding 10-17:

Program: Department of Education
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027:
Special Education – Preschool Grants, CFDA 84.173:
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

During testing of the Section 1512 ARRA reports submitted for the quarter ended March 31, 2010, we noted that \$10,594, an amount representing a payment to a subrecipient, was incorrectly included as an expenditure and funds invoiced/received amount on the report for grant H391A090043A, and conversely, was excluded from the expenditure and funds invoiced/received amount on the report for grant award H392A090046A.

State's Response: All federal financial report backup information will be reconciled to the Nevada Department of Education's accounting system, the State accounting system and the Federal cash system, to ensure all financial reports are accurate and balanced with all pertinent financial systems.

Finding Status: Not corrected.

Finding 10-18:

Program: Department of Health and Human Services, Division of Welfare and Supportive Services
Child Care and Development Fund Cluster:
Child Care and Development Block Grant, CFDA 93.575:
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596:
ARRA – Child Care and Development Block Grant, CFDA 93.713A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* for the Child Care and Development Fund Cluster provides that individuals must meet certain eligibility requirements in order to receive child care subsidies. Further, the State agency must maintain adequate documentation of eligibility determination, and have verification and internal control procedures to ensure the accuracy of the data used in determining the child care subsidy.

As part of our audit procedures, we selected a sample of payments for individuals for whom child care subsidies were paid. The Nevada Division of Welfare and Supportive Services was unable to obtain the information used for determining eligibility and subsidy amounts from a contracted service provider for three of the forty payments selected for testing. The unsupported payments amounted to \$1,120.

State's Response: File tracking procedures implemented by the new contractor have resulted in complete and accurate supporting documentation of all files requested by DWSS Child Care staff for internal management reviews. The Division will continue to monitor through internal reviews in order to maintain stronger controls on files and documents.

Finding Status: Corrected.

Finding 10-19:

Program: Department of Health and Human Services, Division of Welfare and Supportive Services
Child Care and Development Fund Cluster:
Child Care and Development Block Grant, CFDA 93.575:
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596:
ARRA – Child Care and Development Block Grant, CFDA 93.713A:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Division of Welfare and Supportive Services is required to submit quarterly ACF-696 Child Care and Development fund Financial Reports for the Child Care and Development Fund Cluster.

During testing of the quarterly ACF-696 report for the quarter ended March 31, 2010, we noted an error in which the ending amounts from the prior quarter report, which had been amended, were not carried forward properly, resulting in an understatement of the cumulative expenditures by \$74,941. The amounts carried forward were those included on the original prior quarter report.

State's Response: The Division of Welfare and Supportive Services has fully implemented additional controls over the reporting process effective with the quarter ending March 31, 2011. Verification of total cumulative grant year expenditures from the prior quarter's report is now required by both the preparer and the reviewer to ensure correct balances are brought forward. The Division believes the required additional steps will strengthen the procedures and ensure reports are filed accurately.

Finding Status: Corrected.

Finding 10-20:

Program: Department of Health and Human Services, Health Division
Public Health Emergency Preparedness, CFDA 93.069:
HIV Care Formula Grants, CFDA 93.917:
Immunization Cluster:
Immunization Grants, CFDA 93.268:
ARRA – Immunization, CFDA 93.712A

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Health Division did not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

As part of our audit procedures, we tested a sample of subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Health Division did not review audit reports for findings for all subrecipients.

State's Response: As noted above in finding 09-33, the Division's contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.

As A-133 audits are to be completed within nine months of the end of the fiscal year, he/she will collect those reports which have been submitted and follow up on those which have not.

All reports will be initially reviewed by the Contract Monitor to determine if there are any findings. If there are no findings, the contract monitor will initial the audit report and file it. If there are findings, the contract monitor will send the report to the Administrative Services Officer IV for the Division, who will review the findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then implement the action required, in consultation with the ASO IV, up to and including corrective action plans, and follow up until the required action is complete. The policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions and follow-up activities have been updated.

Once reviewed, the Administrative Services Officer IV will initial the report and the spreadsheet maintained by the contract monitor will be updated to reflect this action. The reports will then be filed within the Health Division Financial Services Unit file room.

Finding Status: Not corrected.

Finding 10-21:

Program: Department of Health and Human Services, Health Division
Public Health Emergency Preparedness, CFDA 93.069:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada State Health Division is required to submit an annual SF-269 Financial Status Report for the Public Health Emergency Preparedness awards.

For grant award number 5 U90/TP916964-09, an original and several revised versions of the project period final SF-269 report were submitted during fiscal year 2010. We selected the original report to test, but the Nevada State Health Division was unable to provide supporting documentation for that report. We subsequently tested the final revised version which was submitted in November 2010, and we noted that the amounts reported could not be reconciled to the accounting system.

State's Response: As noted in finding 09-41, during SFY09, the Division created separate job reporting numbers within our state accounting system to ensure that all separate grant awards are tracked with a unique identifier. DAWN printouts are attached to the backup for all financial reports to document that figures reported are correct and substantiated by the State's official accounting records.

Current procedures for reporting have been updated to include review of the Federal Financial Reports (FFRs) by the assigned Program Manager and the assigned Administrative Services Officer (ASO) to ensure all expenditures, including indirect, are reported and documented properly. The Program Managers will also verify and attach documentation for any match or MOE required by the grant. Prior to final approval of the FFR, the ASO III will verify documentation from the State's accounting system for expenditures and indirect and back-up for MOE and match are attached. The Division will make every effort to ensure that revised reports are submitted in a timely manner, should reporting adjustments be necessary.

Finding Status: Corrected.

Finding 10-22:

Program: Department of Health and Human Services, Health Division
HIV Care Formula Grants, CFDA 93.917

Finding Summary: As noted in *OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments*, amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards the cost must (1) be adequately documented; and (2) be allocable to the Federal award.

As part of our testing over Allowable Costs/Cost Principles, we tested a sample of transactions for conformance with the criteria contained in the "Basic Guidelines" section of OMB Circular A-87. For one of the transactions

selected, no supporting documentation was available. The expenditure was for recurring monthly information technology services which are allocated based on the number of personnel assigned to the program activities. Subsequently, we obtained documentation of the previous month's information technology services transaction in order to establish the reasonableness of the unsupported charge, and we noted that the amount was calculated based on seven personnel positions. However, of the seven individuals, one individual was assigned to work 50 percent on this Federal award, and 50 percent on another Federal award. As a result, amounts not allocable to the HIV Care Formula Grants were charged to the award.

State's Response: The Division's HIV Care Program has implemented policies and procedures to ensure that all billings are coded correctly and allocated to the appropriate funding source. The Health Program Specialist II is the management official responsible for corrective action at this level. For recurring monthly charges, such as the Department of Information Technology billings for phone and internet usage, the Administrative Services Officer assigned to the budget account reviews each monthly invoice and ensures costs are not being charged to a federal grant that does not support the position.

Finding Summary: Corrected.

Finding 10-23:

Program: Department of Health and Human Services, Aging and Disability Services
Division: HIV Care Formula Grants, CFDA 93.917

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt and use of program income.

During our reconciliation of the HIV Care Formula Grant expenditures to the SEFA, we noted that program income transferred to and expended by the Nevada Aging and Disability Services Division was not included on the SEFA, which resulted in Federal expenditures being understated and may be an indicator that the State is not managing the funds in accordance with the grant agreements.

State's Response: The Division has procedures in place for single audit reporting of all Division grants. Reporting for the HIV Care Formula Grant was overlooked, as it is a part of the Senior and Disability Rx program that was transferred to the Division July 1, 2009, and there was some confusion regarding what type of funding was used to support the sub-grant from Health e.g. general fund or federal funds. On January 6, 2011, the Controller's Office contacted the Health Division and requested ADSD complete the single audit report for the amount transferred to the Division for the HAX grant. ADSD completed the report shortly after the request.

The Division has added the HAX grant to their single audit reporting requirements and will assure future reporting is completed by the stated deadlines. These actions are the responsibility of the ASO I and are reviewed by the ASO III.

Finding Status: Not Corrected.

Finding 10-24:

Program: Department of Health and Human Services, Health Division
Immunization Cluster:
Immunization Grants, CFDA 93.268:
ARRA – Immunization Grants, CFDA 93.712A

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year. This should include, in either the SEFA or a note to the SEFA, the value of Federal awards expended in the form of non-cash assistance. While not required, it is preferable to present this information in the schedule.

The State has assigned the responsibility for accumulating the information to prepare the SEFA and the note to the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by the State agencies who administer the various Federal award programs. Federal expenditure information provided should include the receipt of use of non-cash assistance.

During our testing and reconciliation of the SEFA, we noted that the amount for Immunization program non-cash assistance was not included on the SEFA. When the omission was identified, the Nevada State Health Division provided the non-cash amounts to the Controller's Office, but did not identify the related CFDA numbers, and portions of the amount subsequently included on the SEFA were listed under an inaccurate CFDA number in the cluster.

State's Response: As noted in finding 09-39, all forms previously submitted have been corrected and resubmitted to show program income. Procedures have been updated and staff members have been trained to include these amounts on all necessary reports. Action on this finding has been completed.

Finding Status: Corrected.

Finding 10-25:

Program: Department of Health and Human Services
Social Services Block Grant, CFDA 93.667:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

During our testing of subrecipient monitoring, we noted that the Nevada Department of Health and Human Services did not have procedures in place to monitor the receipt and review of required audit information from subrecipients.

As part of our audit procedures, we tested a sample of three subrecipients to verify that the Nevada Department of Health and Human Services had procedures in place to ensure that audits were completed when required, management decisions were issued when appropriate and corrective actions on all audit findings were taken by the subrecipients. We noted that the Nevada Department of Health and Human Services did not review audit reports and issue management decisions when required, for findings included in the audit reports of the two subrecipients tested who were found to be subject to OMB Circular A-133.

State's Response: A survey was distributed by Grant Managers to all SFY12 subrecipients informing them of A-133 audit requirements and asking them to provide

information about their last audit, their next scheduled audit and when DHHS should expect to receive copies. Responses have been submitted by most subrecipients and are being evaluated in preparation for follow-up. As evidenced by the aforementioned survey, Grant Managers are still in the process of obtaining audits from current subrecipients and verifying through the Federal Audit Clearinghouse (FAC).

Additionally, a section explaining audit requirements was added to the SFY12 Grant Instructions and Requirements (GIRS) and all SFY12 grantees were required to sign documents referencing compliance with the GIRS. Audit requirements were also covered in the Grant Management Unit's annual grantee orientation held August 2011.

A request for audits has been included in past competitive grant application processes and these requirements will be strengthened during the next scheduled competitive process in December 2011 or early January 2012.

Finding Status: Corrected.

Finding 10-26:

Program: Department of Health and Human Services
Social Services Block Grant, CFDA 93.667:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards made during fiscal year 2010 for communication of required information, and noted that the awards did not include the CFDA title and number.

State's Response: Effective July 1, 2010, the CFDA title and number appeared on all Notice of Grant Awards (NOGA). In the future, the CFDA title and number will also appear in instructional materials associated with Requests for Applications. In addition, CFDA titles and numbers will be added to closed SSBG FY09 grants since these grants were the subject of this audit. These actions are the responsibility of the Grant Manager and will be reviewed by the Chief of the Grants Management Unit. All of the Title XX grants now have CFDA numbers on them.

Finding Status: Corrected.

Finding 10-27:

Program: Department of Health and Human Services, Health Division and Aging and Disability Services Division
Early Intervention Services (IDEA) Cluster:
Special Education_Grants for Infants and Families with Disabilities, CFDA 84.181:
ARRA – Special Education_Grants for Infants and Families with Disabilities, CFDA 84.393A:

Finding Summary: The *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program for employees at the Nevada State Health Division, it was noted that personnel submitted exception-only time cards that were signed by the employee and a supervisor. Some personnel were charged solely to the IDEA program and some were charged to multiple activities, including the IDEA program. We noted that not all personnel indicated on the time cards the program(s) worked on or the time allocation. Because the time cards did not identify the Federal programs and time allocation on them, the time cards did not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

During our testing of salary and benefit charges to this program for employees at the Nevada Aging and Disability Services Division (ADSD), we tested support for employees charged to the IDEA program for two pay periods. For the pay period ended in August 2009, it was noted that the personnel submitted exception-only time cards that were signed by the employee and a supervisor. All of those employees were charged solely to the IDEA program, and we noted that they did not identify on the time cards the program they had worked on. For the second pay period tested for those

employees, which ended in May 2010, we noted that in addition to the time cards, all employees had completed a Time Allocation Report for the pay period, which reflected an after-the-fact distribution of the actual activity and was signed by both the employee and a supervisor. Pursuant to changes made by the 2009 Legislature, the Nevada Office of Disabilities Services, which previously administered the IDEA program, merged into the Nevada ADSD. Beginning January 1, 2010 the Nevada ADSD management implemented the requirement for Time Allocation Reports to be completed by ADSD personnel charged to the IDEA program. It appears that adequate procedures for payroll certification were in place for those personnel by June 30, 2010 at the Nevada ADSD.

State's Response: Health Division Response

As previously noted in the response to findings 08-3 and 09-30, the Nevada State Health Division during SFY 08 converted from an off-line payroll reporting system to use of the on-line, NEATS – Nevada Employee Action Tracking System, which resulted in certain documentation and certifications no longer being maintained.

All employees who are federally funded are now required to list their time and effort in the notes of the NEATS timesheet. Each Administrative Services Officer assigned to a Health Division Bureau audits the timesheets to ensure that compliance is achieved. Any audit findings are forwarded to the Bureau Chief for immediate action. The policies and procedures have been updated to reflect these changes.

Additionally, the Division is working to implement a Time and Effort Tracking System that is currently being utilized by the Division of Healthcare Financing and Policy to provide a more accurate documentation of actual time worked. This new Time and Effort Tracking System will replace the current procedures that have been implemented.

Aging and Disability Services Division Response

There were no findings against ADSD; however, since the Division was in non-compliance the first half of FY2010, the auditor requested a response. IDEA Part C was transferred to the Division on July 1, 2009 along with other programs. The Division had an established Cost Allocation Plan (CAP) which required 100% time tracking by all Division staff; however, there were no cost pools established for the transferred programs, so their staff was not able to report time in the time tracking system.

After the transfer was approved by the Legislature in the 2009 Session, the Division worked with the Division of Health Care Finance and Policy to revise their CAP to include IDEA Part C and other programs. The CAP and related procedures which include 100% time tracking were approved/implemented

January 1, 2010. CAP monitoring is the responsibility of the Administrative Services Officer (ASO) I and is reviewed by the ASO III.

Finding Status: Corrected.

Finding 10-28:

Program: Department of Health and Human Services, Aging and Disability Services Division
Early Intervention Services (IDEA) Cluster:
Special Education_Grants for Infants and Families with Disabilities, CFDA 84.181:
ARRA – Special Education_Grants for Infants and Families with Disabilities, CFDA 84.393A:

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

During testing of the Section 1512 ARRA report submitted for the quarter ended March 31, 2010 for grant award H393A090019A, we noted the supporting documentation did not reconcile to the accounting system, which caused total expenditures reported to be understated by approximately \$6,600.

State's Response: 1512 reporting requirements were split between ADSD and the Health Division, as the majority of the funding was passed through to the Health Division for direct services. The Health Division agreed they would collect data and report the amount expended to ADSD. ADSD would review to assure expenditures were allowable and upload the report to the federal website. Because this process was new, ADSD did not have a procedure in place to audit the data provided by the Health Division.

Effective January 26, 2011, ADSD implemented a procedure which requires the Health Division to provide detailed backup of all expenditures related to IDEA request for funds, as well as at the end of each quarter to support the 1512 amounts reported. These actions are the responsibility of the ASO I and reviewed by the ASO III.

Finding Status: Corrected.

Finding 10-29:

Program: Office of the Attorney General
Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775:
State Survey and Certification of Health Care Providers and Suppliers,
CFDA 93.777:
Medical Assistance Program, CFDA 93.778:
ARRA – Medical Assistance Program, CFDA 93.778A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Office of the Attorney General is required to submit quarterly SF-269 Financial Status Reports. During testing of two quarterly SF-269 Financial Status Reports submitted during fiscal year 2010, we noted a formula error in the supporting spreadsheets that caused total program income reported to be understated by \$102,698 and \$200,987 for the December 21, 2009 and March 31, 2010 reports, respectively.

State's Response: The formula error found consisted of subtracting one line on the SF269 spreadsheet twice (line 10i) to come up with the total Program Income Realized. Written policies and checklists will be developed to ensure reporting and formula accuracy.

Finding Status: Not corrected.

Finding 10-30:

Program: Office of the Attorney General
Violence Against Women Formula Grants, CFDA 16.588:
ARRA – Violence Against Women Formula Grants, CFDA 16.588A:

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

During testing of the Section1512 ARRA report submitted for the quarter ended March 31, 2010 for grant award 2009-EF-S6-0006, we noted the supporting documentation did not reconcile to the accounting system which

caused total expenditures reported to be understated by approximately \$107,000. We also noted that the total Federal ARRA funds received/invoiced amount reported represented the expenditure amount rather than the amount received/invoices.

State's Response: Our Grant Management Policies have been revised to address deficiencies as reflected by findings 10-30, 10-31 and 10-32. Existing staff has been trained on the revised policies and a fiscal specialist has been hired to assist the grants unit to perform timely and consistent financial monitoring of claims for grant funds. In addition to ongoing monitoring of the adherence to these policies, ARRA 1512 reporting will be reviewed by two staff members on a quarterly basis to ensure accuracy and that federal guidelines are followed. During the last month of every fiscal quarter, the fiscal assistant and grants unit supervisor meet to review the fiscal data and ensure that proper reconciliation to the State accounting system occurs.

Finding Status: Not corrected.

Finding 10-31:

Program: Office of the Attorney General
Violence Against Women Formula Grants, CFDA 16.588:
ARRA – Violence Against Women Formula Grants, CFDA 16.588A:

Finding Summary: OMB Circular A-133 requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Office of the Attorney General is required to submit quarterly SF-425 Federal Financial Reports for the Violence Against Women Grants awards.

During testing of SF-425 reports submitted for the quarter ended March 31, 2010 for grant awards 2009-EF-S6-0006, 2008-WE-AX-0054, and 2007-WE-AX-0016, we noted that amounts reported did not agree to the accounting records which caused total expenditures reported to be overstated by \$10,282, \$16,963, and \$26,363, respectively.

State's Response: This finding has been corrected. Our Grant Management Policies have been revised to address the deficiencies reflected in this finding. Also, we were able to hire an experienced fiscal specialist as of March 15, 2011. She has since participated in several trainings to further her understanding of the State's fiscal policies, procedures and systems. She has performed detailed audits and analysis of our grants and is working to develop and implement a

comprehensive grant fiscal and program tracking system that will be based on the Advantage data systems currently available. Grant account reconciliations are now being performed monthly and we hope to have the new tracking system completed, refined and documented by December 31, 2011. During the last month of every fiscal quarter, the fiscal assistant and grants unit supervisor meet to review the fiscal data and ensure that proper reconciliation to the State accounting system occurs.

Finding Status: Corrected.

Finding 10-32:

Program: Office of the Attorney General
Violence Against Women Formula Grants, CFDA 16.588:
ARRA – Violence Against Women Formula Grants, CFDA 16.588A:

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our audit procedures we tested disbursements of ARRA funds paid to subrecipients. During this testing, we noted that the Federal award number, CFDA number and the amount of ARRA funds were not identified as such at the time of the disbursement to subrecipients.

State's Response: Our Grant Management Policies have been revised to address deficiencies as reflected by findings 10-30, 10-31 and 10-32. Existing staff has been trained on the revised policies and a fiscal specialist has been hired to assist the grants unit to perform timely and consistent financial monitoring of claims for grant funds. In addition to ongoing monitoring of the adherence to these policies, ARRA 1512 reporting will be reviewed by two staff members on a quarterly basis to ensure accuracy and that federal guidelines are followed. During the last month of every fiscal quarter, the fiscal assistant and grants unit supervisor meet to review the fiscal data and ensure that proper reconciliation to the State accounting system occurs. Grants unit staff now work with accounting staff to ensure all sub-grantees receiving ARRA funding are given proper notification consistently and correctly on reimbursement instruments.

Finding Status: Not corrected.

Based on the *Summary Schedule of Prior Audit Findings*, the status of the findings at June 30, 2011 is as follows:

Finding Number

09-1 – Corrected
09-7 – Not Corrected
09-12 – Partially Corrected
09-14 – Corrected
09-18 – Partially Corrected
09-19 – Corrected
09-20 – Not Corrected
09-25 – Partially Corrected
09-30 – Not Corrected
09-33 – Not Corrected
09-39 – Corrected
09-41 – Corrected
10-1 – Not Corrected
10-2 – Not Corrected
10-3 – Corrected
10-4 – Corrected
10-5 – Corrected
10-6 – Corrected
10-7 – Corrected
10-8 – Corrected
10-9 – Partially Corrected
10-10 – Corrected
10-11 – Partially Corrected
10-12 – Corrected
10-13 – Not Corrected
10-14 – Partially Corrected
10-15 – Partially Corrected
10-16 – Corrected
10-17 – Not Corrected
10-18 – Corrected
10-19 – Corrected
10-20 – Not Corrected
10-21 – Corrected
10-22 – Corrected
10-23 – Not Corrected
10-24 – Corrected
10-25 – Corrected
10-26 – Corrected
10-27 – Corrected
10-28 – Corrected
10-29 – Not Corrected

10-30 – Not Corrected
10-31 – Corrected
10-32 – Not Corrected

Sincerely,



Kim R. Wallin, CMA, CFM, CPA
Nevada State Controller

KRW:mm