Audit Highlights

Highlights of Legislative Auditor report on the Consumer Affairs Division, issued on December 4, 2003. Report #LA04-06.

Background

The Consumer Affairs Division regulates deceptive trade practices through investigations and protects consumers by registering buying clubs, credit repair organizations, dance and martial arts studios, health clubs, weight loss clinics, travel agents, tour operators and brokers, sports betting information services, and telemarketers.

During fiscal year 2002, the Division's expenditures totaled $1.2 million. Funding was provided by a $1.2 million General Fund appropriation. The Division also deposited a total of $201,490 in registration fees and investigative reimbursements directly to the General Fund. As of June 30, 2002, the Division had 19 full-time employees—16 in its main office in Las Vegas and 3 in the Reno office—and one vacant full-time position.

Purpose of Audit

The purpose of this audit was to evaluate the Consumer Affairs Division's financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, regulations, and policies. Our audit included a review of the Division's financial and administrative activities for the fiscal year ended June 30, 2002, and activities through December 2002 for certain issues.

Audit Recommendations

This report contains seven recommendations to improve the Division's financial and administrative practices. Specifically, the Division should improve its budget monitoring process to ensure revenues and expenditures are properly recorded. In addition, the Division should develop policies and procedures to ensure all revenue is collected, and purchasing and personnel laws and policies are complied with.

The Consumer Affairs Division accepted all seven recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action is due on March 4, 2004. In addition, the six-month report on the status of audit recommendations is due on September 6, 2004.

Consumer Affairs Division

Department of Business and Industry

Results in Brief

The Consumer Affairs Division needs to improve its financial and administrative practices and develop procedures to help ensure compliance with laws and policies. Specifically, the lack of an effective internal budget tracking system and procedures contributed to the inappropriate recording of revenues and expenditures. The Division would have exceeded its approved budget by $15,300 if these transactions were properly reported and paid. The Division also lacks adequate revenue collection procedures. As a result, not all businesses submitted their fiscal year 2002 registration fees. Finally, the Division lacks procedures to ensure compliance with purchasing and personnel laws and policies.

Principal Findings

The Division recorded deposits totaling $14,900 in expenditure accounts. Recording deposits in expenditure accounts reduces the total amount of expenditures in an agency's budget account. Only minor reimbursements of current year expenditures should be recorded as expenditure reductions. If these deposits had been properly recorded as revenue, the Division would have exceeded its budgetary authority by a total of approximately $8,500 in two expenditure categories.

The Division did not use its special investigation revolving account as required. The revolving account was established to pay expenses to conduct undercover investigations of deceptive trade practices. However, of the $12,300 charged to the account in fiscal year 2002, more than $11,000 was for equipment, office furniture, and supplies.

NRS 598.0966 requires the Division to promptly reimburse payments made from the special investigation account. However, the Division only reimbursed $7,400 of the $12,300 payments made from the account. Therefore, expenditures totaling $4,900 were not recorded in the Division's budget account.

The Division's internal budget monitoring reports were not reliable. The reports were not mathematically correct, did not always agree with the state's accounting records, and were not always reviewed timely. As a result, many of the problems previously identified as well as unpaid invoices totaling $9,000 can be attributed to this weakness.

Effective October 1, 2001, certain businesses were required to renew their registrations annually and remit a $25 fee with their renewal application. Despite this requirement, the Division did not establish procedures to ensure all businesses previously registered renewed their registrations and paid the fee. Although the actual amount of uncollected revenue is unknown, Division records indicate $11,800 in additional fees would have been collected if all businesses submitted renewals.

The Division paid $4,600 for computer repair services without a contract. Additionally, equipment totaling approximately $6,000 was purchased without approval from the Budget Division or State Purchasing. Contracts and equipment purchases should be properly approved to ensure that the best services or goods will be obtained at the best price.