

Audit Highlights



Highlights of performance audit report on the Use of Certain Assessments Paid by Counties issued on October 6, 2014. Legislative Auditor Report # LA14-19.

Background

During the 2013 Legislative Session, concerns were expressed regarding the Department of Health and Human Services' use of certain county assessments, many of which were enacted in 2011. As a result, Assembly Bill 255 was passed. Assembly Bill 255 requires the Legislative Auditor to audit the Department's use of assessments paid by counties pursuant to Nevada Revised Statutes 62B.150, 62B.165, 432B.326, and 439.4905.

The Department of Health and Human Services collects several county assessments. During the 2011 Legislative Session, the funding source for several programs or services shifted from the state General Fund to county assessments. These programs or services directly benefit the residents of the counties impacted.

Assembly Bill 255 specified the following five assessments administered by the Division of Public and Behavioral Health and the Division of Child and Family Services to be audited: Community Health Services, Consumer Health Protection, Rural Child Welfare, Youth Alternative Placement, and Youth Parole Bureau. From July 1, 2011, to December 31, 2013, the Department collected over \$20.6 million in county assessments.

Purpose of Audit

The purpose of this audit was to evaluate the Department's calculation and collection of assessments, and use of assessments paid by counties for the operation of regional facilities for the detention of children, activities of the Youth Parole Bureau, child protective services in rural counties, and health services provided in the counties. Our audit focused on assessment revenues and related expenditures for the 30-month period ending December 31, 2013.

Audit Recommendations

This audit report contains six recommendations to improve controls over assessment calculations and communication with counties.

The Department accepted the six recommendations.

Recommendation Status

The Department's 60-day plan for corrective action is due on January 6, 2015. In addition, the six-month report on the status of audit recommendations is due on July 6, 2015.

Use of Certain Assessments Paid by Counties

Department of Health and Human Services

Summary

The Department of Health and Human Services' use of certain assessments paid by counties complied with state law; however, stronger controls are needed over the calculation of assessments. We reviewed the assessment calculations for fiscal years 2012 through 2014 and found assessment calculations were not supported by adequate underlying records. Policies and procedures also lacked sufficient guidance regarding the calculation of certain health assessments. In addition, certain youth assessments were not calculated in compliance with state law. In contrast, we reviewed 144 county payments totaling over \$12 million and found the Department of Health and Human Services collected and deposited assessment revenues in accordance with state requirements.

The Department used county assessment revenues as statutorily intended. We tested 225 expenditures totaling over \$3.7 million and found transactions were properly approved, mathematically accurate, and properly recorded. Costs also related to the services being provided. Although assessment revenues were used as intended, communication with the counties about the use of assessment revenues and services provided can be improved.

Key Findings

Assessment calculations cannot be considered reliable unless they are supported by adequate underlying records. None of the five county assessments we audited were supported by sufficient underlying records. Either the documents provided did not support the amounts assessed or supporting documents could not be provided. Management indicated employee turnover led to supporting documents no longer being available. In addition, current policies and procedures do not provide adequate guidance to assist staff with developing and providing adequate support for assessment calculations. (page 5)

Written policies and procedures have not been developed for the health assessments. As a result, staff could not explain the differences we found in the number of food establishments used in the calculation of the Consumer Health Protection assessment. The support for the number of food establishments used in the assessment calculation was not retained. Although staff provided similar documentation to support the calculation, the number of food establishments indicated on this documentation did not match the number used in the assessment calculation. The difference between the number of food establishments on the documents was small, less than 1%; however, the difference did affect the distribution of the assessment between counties. Additionally, staff could not explain how the base contract amounts were calculated for the Community Health Services assessment. (page 9)

The calculation of certain youth assessments did not comply with state law. Incorrect student enrollment data was used in the calculation of the Youth Alternative Placement and Youth Parole Bureau assessments. As a result, counties were not assessed the proper amounts in fiscal years 2012 to 2014. State law requires the total number of pupils in the State in the preceding school year be used for the calculation of the Youth Alternative Placement assessment; however, we found the fiscal year 2012 assessment only included students enrolled in grades 7 through 12, and the fiscal years 2013 and 2014 assessments did not use student enrollment data from the preceding school year. We recalculated the correct assessment amounts and determined the largest differences for fiscal years 2012 through 2014 combined were Elko County being under assessed by \$9,182, and Washoe County being over assessed by \$13,414. In addition, state law requires the total number of pupils in grades 7 through 12 in public schools in the State for the preceding school year be used for the calculation of the Youth Parole Bureau assessment; however, we found the fiscal years 2012 through 2014 assessments incorrectly included private school students, and the fiscal year 2014 assessment did not use student enrollment data from the preceding school year. We recalculated the correct assessment amounts and determined the largest differences for fiscal years 2012 through 2014 combined were Clark County being under assessed by \$29,549, and Washoe County being over assessed by \$45,154. (page 10)

Better communication with counties is needed regarding the use of assessment revenues and services provided. We surveyed 10 counties regarding concerns they may have relating to these assessments, and several counties did not feel they had enough information to answer our questions. Counties stated that they pay their annual assessments, but receive very little or no correspondence to show how their money is being used and the services being provided to their counties. (page 23)