

Audit Highlights



Highlights of performance audit report on the Office of the Military issued on October 18, 2016. Legislative Auditor report # LA16-18.

Background

The Office of the Military (Office) was established to supervise the military affairs of the State of Nevada. The Office is under the direction of the Adjutant General, who also serves as the Commander of the Nevada National Guard. The Nevada National Guard (Guard) is composed of the Army Guard, Air Guard, and state employees. State employees provide administrative, accounting, personnel, firefighting, security, operating, and maintenance services to the Nevada National Guard.

At the close of 2014, the Guard reported having 4,264 members (3,104 Soldiers and 1,160 Airmen). In addition to guard members, the 2015 legislatively approved budget authorized 134 full-time state employees. Funding for the Guard is provided primarily through federal funds and state General Fund appropriations. For fiscal year 2015, General Fund appropriations amounted to \$3.4 million and federal funding totaled \$15.7 million.

Purpose of Audit

The scope of our audit focused on activities from fiscal year 2013 through 2015. However, we performed work in certain areas through calendar year 2015. Our audit objectives were to determine the reliability of performance measures used in the state's budget process and to evaluate the controls in place over contracts, inventory, and the procurement account process.

Audit Recommendations

This audit report contains three recommendations to improve performance measures and seven recommendations to strengthen controls over contracts, inventory, and the procurement account process. The Office of the Military accepted the 10 recommendations.

Recommendation Status

The Office of the Military's 60-day plan for corrective action is due on January 19, 2017. In addition, the six-month report on the status of audit recommendations is due on July 19, 2017.

Office of the Military

Summary

The Office can take steps to improve the accuracy, usefulness, and reliability of its performance measures. The reported measures are not always reliable or adequately documented. In addition, the description provided for one measure is not accurate, and two performance measures may not be useful for decision makers to evaluate the programs' operations. Performance measures must be reliable because they can affect budget and policy decisions made by managers and oversight bodies. Reliability of performance measures can be improved by developing policies and procedures on how the data is collected, how each measure is calculated, and supervisory review to ensure the accuracy of reported results.

The Office can strengthen its controls over (1) contracting activities, (2) maintaining accurate inventory lists of equipment, and (3) monitoring the use of procurement accounts. First, the Office did not compare vendor invoices to contract terms and ensure the contact solicitation process complied with the established policy. Second, the Office did not have a complete inventory list or conduct a reconciliation of the inventory list to its equipment in 2015. Lastly, the Office did not ensure procurement account purchases complied with existing procedures.

Key Findings

The Office did not have adequate documentation to support the reliability of four of the six performance measures tested. The four measures lacking underlying records were maintenance of facilities, units ready for deployment, percent of authorized officer positions filled, and percent of authorized enlisted positions filled. Although the Office maintained a spreadsheet with final numbers for each measure, we could not verify the accuracy of the information since supporting documentation was not retained. Performance measures are not considered reliable unless sufficient underlying records support them. The State Administrative Manual requires agencies to retain the records used in computing performance measures for 3 fiscal years, and to develop written procedures on how the measures are computed. (page 6)

The Office can provide better information to decision makers by improving its performance measures. Three of the six measures reviewed either did not accurately describe the measure presented or could better communicate program operations. For example:

- The measurement for maintenance of facilities is described as the number of work orders completed within the customer's requested timeline. However, the data did not include all work orders, and the reported measure did not include whether the work orders were completed within the customer's requested timeline.
- The measure for tuition assistance reports the number of claims processed in a fiscal year, but additional information on program benefits is not provided. Tuition assistance has been described as providing up to 100% of the credit hour costs for summer school tuition. However, all 93 tuition reimbursement claims were paid at 74% for the 2015 summer school session.
- The measure for the Patriot Relief Account reports the number of economic hardship claims processed, but does not provide information on textbook reimbursements or life insurance premium reimbursements. The Account was created to reimburse Guard members for certain text books and life insurance premiums, as well as assist with economic hardships. (page 6)

The Office lacks controls over payments for contracted maintenance services because it does not have a process to ensure vendor invoices are compared to contract terms. As of October 2015, the Office managed 68 contracts totaling \$12.4 million. The majority of the contracts (65%) were for maintenance services, including 6 of the 10 contracts we tested. Five of the six routine maintenance services contracts did not include pricing schedules or base rates. In addition, the Office does not comply with the established contract solicitation policy. Solicitation documents for all 10 contracts tested did not include evidence of review and approval of the scope of work and evaluation criteria in accordance with the established policy. (page 9)

The Office's statewide inventory listing was incomplete. As of December 17, 2015, the inventory list included 485 items totaling \$4.2 million. Our testing identified nine items purchased by the Army Guard through the state accounting system between fiscal years 2013 and 2015 and not added to the inventory list. The value for the nine items totaled \$281,000. (page 12)

The Office does not comply with established reconciliation procedures for procurement account purchases. The Office manages two procurement accounts for hardware stores and one for fuel. Our testing found a lack of compliance with existing procedures and the need for additional controls. (page 13)