

Audit Highlights



Highlights of performance audit report on Nevada's Division of Forestry issued on October 29, 2018. Legislative Auditor report # LA18-21.

Background

Nevada's Division of Forestry (NDF) was established in 1957 within the State Department of Conservation and Natural Resources. NDF's core mission is to protect, conserve, and enhance the state's natural resources and provide protection from wildfire. To support its mission, NDF manages and coordinates all forestry, nursery, endangered plant species, and watershed resource activities on qualified public, state, and private lands.

NDF's programs include Wildland Fire Protection Program, Fire Suppression, Conservation Camps, and Forestry Nurseries.

In fiscal year 2017, NDF was primarily funded with appropriations of \$24.2 million, program revenues of \$4.7 million, and federal grants totaling \$3.1 million. As of April 2018, NDF had 160 filled positions located in its Carson City, Elko, Ely, Carlin, Las Vegas, Minden, Pioche, Tonopah, Washoe Valley, Wells, and Winnemucca offices and conservation camps. During fire season, NDF hires up to 74 additional staff on a seasonal basis. NDF is headquartered in Carson City and operates three regional offices in Elko, Las Vegas, and Washoe Valley.

Purpose of Audit

The purpose of this audit was (1) to evaluate financial and administrative controls related to certain contracts and cooperative agreements and determine whether they comply with state laws, regulations, and other requirements; and (2) to evaluate the effectiveness of operations and administrative controls over the Nursery Program. The scope of our audit included a review of certain financial and administrative processes over the Conservation Camp Program contracts, the Wildland Fire Protection Program, and the Nursery Program operations during fiscal years 2015 through 2017.

Audit Recommendations

This audit report contains 12 recommendations to improve administrative and financial controls over Conservation Camp Program contracts, the Wildland Fire Protection Program, and Nursery Program operations.

NDF accepted the 12 recommendations.

Recommendation Status

NDF's 60-day plan for corrective action is due on January 29, 2019. In addition, the six-month report on the status of audit recommendations is due on July 29, 2019.

Division of Forestry

State Department of Conservation and Natural Resources

Summary

Nevada's Division of Forestry (NDF) can improve controls over contract administration of Conservation Camp Program projects and Wildland Fire Protection Program (WFPP) interlocal agreements. Conservation camp projects were often completed without properly executed contracts in place. Additionally, documentation was frequently not sufficient to justify reduced-rate and non-reimbursable projects. For the WFPP, the Division should also formalize the rate setting process and document assumptions used to establish future participant rate assessments. Current rates cannot be recalculated as supporting documentation and assumptions were not maintained. Finally, administration of non-fire suppression services can be enhanced to include uniform documentation of projects requested by participants and performed by staff, and to improve tracking and communicating the value of services provided to participating jurisdictions.

NDF can improve the effectiveness of its operations and administrative controls over the Nursery Program. Improvements include restructuring its strategic plan and implementing consistent operating practices at both locations to enhance the fiscal sustainability of the program. We found sales discounts were often given without adequate documentation to determine the appropriateness of the discount. NDF's processes are also not sufficient to verify or enforce certain statutory and regulatory requirements limiting sales to conservation purposes. Finally, controls over growing agreements need significant improvement.

Key Findings

Conservation camp projects were often completed without a properly executed agreement in place. Agreements for 17 of 56 (30.4%) projects we requested during fiscal years 2016 and 2017 could not be provided by NDF. Of the 39 conservation camp agreements received, 24 (66.6%) did not have adequate approvals. Additionally, three project agreements (7.7%) were dated and signed after work had commenced. Having a properly executed project contract prior to work commencing is important because without a contract in place, the State could be liable for injury or damages caused by conservation camp crews or could result in lost revenues to the Division. (page 7)

Non-reimbursable and reduced rate conservation camp projects were often not properly approved or did not include supporting documentation for reduced rates. Of 30 nonstandard rate agreements reviewed, 9 (30%) agreements did not include a Project Type and Rate Justification Form. Additionally, 18 of 20 (90%) nonstandard rate agreements that included a justification form did not include sufficient supporting description or details indicating how the appropriateness of the reduced rate was determined. Furthermore, none of the 20 nonstandard rate agreements with justification forms had evidence of area supervisor or Carson City office review or approval on the form. (page 8)

County representatives in participating jurisdictions indicated they are satisfied with the services provided by NDF through the WFPP, although we found oversight and management of the program can be improved. NDF should formalize and document the formula for calculating future county assessment rates. Existing rates cannot be recalculated as supporting documentation and assumptions were not maintained. Non-fire suppression projects requested by participants, and performed under the WFPP should be uniformly documented. Furthermore, when these types of projects are performed, costs associated with non-fire suppression projects should be tracked and communicated to participating jurisdictions. (page 9)

Our review of NDF's Nursery Program's strategic plan and operations identified various opportunities for improvement including maintaining a current and relevant plan with specifically defined objectives and goals. Opportunities include updating the plan to provide product pricing, operational guidance, and consistency between locations to set the direction for the nurseries' operations. Additionally, the plan should identify long-term goals and corresponding actions to solidify the Nursery Program's long-term viability. (page 14)

Nurseries' pricing practices were inconsistent and not adequately documented, even though plant pricing is required to be formalized by the State Forester and approved by the Director of the State Department of Conservation and Natural Resources. Consistent pricing, based on an evaluation of operations and cost, will help ensure prices are adequately covering the costs of operations. (page 16)

Controls over cash receipts at nurseries need to be strengthened due to limited segregation of duties. Our review of bank deposits also identified control weaknesses over revenues recorded for each nursery location, and NDF's fiscal staff do not reconcile received and recorded revenues in the nursery sales system to what is recorded in the state accounting system. Controls to compensate for lack of segregation of duties are important in ensuring funds are safeguarded. (page 18)