

# Audit Highlights



Highlights of Legislative Auditor report on the Director's Office of the Department of Conservation and Natural Resources issued on February 28, 2006. Report # LA06-09.

## Background

The Director's Office provides the full scope of administrative, technical, budgetary, and supervisory support to the various divisions, boards, and commissions within the Department. The Director establishes departmental missions, goals, objectives, and priorities. Director's Office expenditures for fiscal year 2005 were approximately \$1.1 million. The Office also processed expenditure transactions totaling \$90,000 for the Heil Wild Horse Bequest and \$100,000 for the Mining Co-Operative Fund.

During the 2001 Special Session of the Legislature, a proposal to issue up to \$200 million of General Obligation bonds was passed and subsequently approved by the voters to protect, preserve, and obtain the benefits of the property and natural resources of the state. This act requires the Director of the Department of Conservation and Natural Resources to administer the funds generated from the proceeds of the bonds. Bond account expenditures for fiscal year 2005 were approximately \$22.4 million.

## Purpose of Audit

The purpose of the audit was to evaluate the Office's financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, regulations, policies, and procedures. The audit included a review of the Office's financial and administrative activities, including the Heil Wild Horse Bequest and Mining Co-Operative Fund expenditures for the fiscal year ended June 30, 2005.

## Audit Recommendation

This report contains one recommendation to improve the controls over bond expenditures. Specifically, the Director's Office should ensure Work Plans are approved prior to execution of Funding Agreements.

The Agency accepted the one recommendation.

## Status of Recommendation

The Agency's 60-day plan for corrective action is due on May 23, 2006. In addition, the six-month report on the status of the audit recommendation is due November 27, 2006.

# Director's Office

## Department of Conservation and Natural Resources

### Results in Brief

The Director's Office of the Department of Conservation and Natural Resources substantially complied with laws, regulations, and policies significant to its financial and administrative activities. However, the Office can improve its administration of certain bond expenditures. We noted some bond project expenditures were incurred prior to the Director's Office approval of the project budgets. Reimbursing expenditures that were incurred prior to a project's approval reduces the Office's ability to properly administer the Natural Resources Bond Fund.

### Principal Finding

Chapter 6, Statutes of Nevada 2001 Special Session (A.B.9) requires the Director of the Department of Conservation and Natural Resources to administer up to \$200 million in bonds that will be deposited in the Fund to Protect Natural Resources. This act also requires the Director to prescribe the method pursuant to which governmental entities, which administer the programs, may request money from the Fund. The following shows the amounts that can be distributed to each entity from the Fund.

#### Fund to Protect Natural Resources Amounts to Be Distributed by Entity

Entity	Amount
Wildlife	\$27,500,000
Las Vegas Springs Preserve	25,000,000
Clark County-Las Vegas Wash	10,000,000
Cultural Affairs	35,000,000
Washoe County	10,000,000
State Lands	65,500,000
State Parks	27,000,000
<b>Total</b>	<b>\$200,000,000</b>

Source: Chapter 6, Statutes of Nevada 2001 Special Session.

Although the majority of the \$3 million in natural resources bond expenditures we examined were in compliance with state law, policies, and procedures, two reimbursements were for expenditures incurred prior to an approved Work Plan. These expenditures, totaling \$79,500, were for two grants authorized by State Lands' Funding Agreements. The Director's Office policies and procedures require governmental entities to complete and submit a "WORK PLAN/ORIGINAL APPLICATION" (Work Plan) to the Director's Office for approval. A Work Plan identifies the project, budget, and project beginning and completion dates. The Office's policies and procedures also state no expenditure or commitments can be incurred prior to Work Plan approval to ensure proper budget authority exists. However, the Funding Agreements were executed before the Director's Office approved the Work Plans. Office staff informed us they were working with State Lands to help ensure Work Plans are approved prior to the execution of Funding Agreements. This process will allow the Director's Office to ensure proper budget authority exists.