

Audit Highlights



Highlights of Legislative Auditor report on the Nevada Arts Council of the Department of Cultural Affairs, issued on February 28, 2006.
Report # LA06-14.

Background

The mission of the Council is to enrich the cultural life of the State by making the arts accessible to all Nevadans. To meet its mission, the Council supports Nevada artists and art organizations by awarding grants, commissioning exhibits, sponsoring professional development workshops and conferences, producing newsletters and other publications, and providing technical assistance to artists.

A nine-member board, appointed by the Governor, advocates on behalf of the arts, promotes cultural policies and programs to benefit residents throughout the State and makes final decisions of grant allocations. Offices are maintained in Carson City and Las Vegas and staffed by 10 full-time positions. The Council is funded primarily by a general fund appropriation and grants from the National Endowment for the Arts. In fiscal year 2004, the Council's total revenues and expenditures were approximately \$2.1 million.

Purpose of Audit

The purpose of this audit was to evaluate the Council's financial and administrative practices, including whether grants and other activities were carried out in accordance with applicable laws, regulations, policies, and procedures. This audit included a review of the Council's financial and administrative activities during the period July 1, 2003 to December 31, 2004.

Audit Recommendations

This audit report contains six recommendations to improve the Council's financial and administrative practices. Specifically, the Council needs to develop procedures to ensure program expenditures are accounted for consistently; federal grant reimbursement calculations are documented and maintained; and grant activities comply with laws, regulations, and policies. In addition, the Council needs to develop procedures to ensure compliance with overtime laws and regulations and policies regarding timesheet preparation and review. Furthermore, the Council needs to monitor travel claims to ensure compliance with state policy and agency procedures.

The Council accepted four recommendations, partially accepted one recommendation, and rejected one recommendation.

Status of Recommendations

The Council'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 recommendations is due November 27, 2006.

Nevada Arts Council

Department of Cultural Affairs

Results in Brief

The Nevada Arts Council can improve its financial and administrative practices in several areas. Specifically, additional controls are needed to help ensure grant management activities comply with state, federal, and agency requirements. Additional controls would also improve the management of payroll and travel activities. Good control systems contribute to the successful administration of an organization. By developing additional control procedures, the Council can improve its operations.

Principal Findings

To record expenditures in the state's accounting system, the Council uses specific budget categories which relate to various agency programs. Guidelines for using these categories are provided by agency policy and the configuration of the biennial budget. However, the Council did not consistently apply these guidelines when accounting for grant related activities. Inconsistent accounting practices increase the risk of noncompliance with state budgetary laws. For example, budget categories for the Artist Services and Arts in Education Programs would have been exceeded by about \$3,100 and \$400 respectively, had several transactions been coded properly.

The Council has not implemented adequate control procedures regarding the processing of federal grant reimbursement requests. As a result, documentation supporting reimbursement calculations was not routinely maintained for the four reimbursements tested from fiscal years 2004 and 2005. Detailed support for these calculations is a federal requirement.

Although the Council has implemented some procedures for administering grants, these procedures were not adequate to ensure compliance with relevant laws, regulations, and procedures. We tested 20 grant files totaling \$151,803 from fiscal years 2004 and 2005 and noted grants were awarded improperly; grants were paid before final reports were submitted; and grant files lacked evidence of the Council's monitoring activities.

The Council did not always comply with state and federal overtime laws. We tested four payroll periods from fiscal years 2004 and 2005 and identified three employees who worked in excess of a 40-hour workweek without receiving paid overtime or compensatory time. For example, one employee worked 16 hours of overtime one week without officially recording this overtime in the state payroll system. The following week this employee used the 16 hours as leave, but did not receive the additional half-time premium required by law. Although department policy requires compliance with state and federal overtime laws, the Council has not developed controls to ensure these requirements are followed.

The Council did not always document key control activities associated with the preparation of its payroll as required by state regulation and department policy. During our testing, we noted instances where the approval of timesheets, overtime, compensatory time, or variable workweeks was not documented. In addition, payroll documentation often lacked details regarding hours worked and leave used. Although the Council has developed some control procedures related to payroll processing, these controls are not sufficient to ensure compliance with state regulation and department policy.

The Council did not adequately monitor travel claims to ensure they complied with state policy or agency procedures. In our review of 20 employee travel claims from fiscal years 2004 and 2005, we identified 5 claims that were not properly approved or supported by adequate documentation. Proper review and oversight of travel activities helps ensure the validity and accuracy of these expenditures.